

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Business Meeting)
)
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, JUNE 12, 2002
10:02 A.M.

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COMMISSIONERS PRESENT

William J. Keese, Chairman

Robert A. Laurie

Robert Pernell

Arthur H. Rosenfeld

Margret J. Kim, Ex Officio

STAFF PRESENT

Steve Larson, Executive Director

Jonathan Blees, Assistant Chief Counsel

Betty McCann, Secretariat

Scott Tomashefsky

Claudia Orlando

Joseph Wang

Michael Batham

Rick Buell

Lorraine White

Bill Blackburn

Paul Roggensack

Pramod Kulkarni

Marla Mueller

Linda Kelly

Laurie ten Hope

Joseph O'Hagan

David Ashuckian

Tim Schmelzer

STAFF PRESENT

Ronald Hofmann
Consultant

John Beyer

PUBLIC ADVISER

Roberta Mendonca

ALSO PRESENT

Manuel Alvarez
Southern California Edison Company

Jean Clinton
California Power Authority

Roland Wong
Natural Resources Defense Council

Dave Hawkins
California Independent System Operator

John White
Center for Energy Efficiency and Renewable
Technologies
Sierra Club of California

Sean Turner
California Natural Gas Vehicle Coalition

Robert Spigno
Marsha Casspi
ConectiSys Corporation

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P R O C E E D I N G S

10:02 a.m.

CHAIRMAN KEESE: Good morning; we'll call this meeting of the Energy Commission to order. Commissioner Pernell, would you lead us in the Pledge, please.

(Whereupon, the Pledge was recited in unison.)

CHAIRMAN KEESE: Thank you. And for a slight diversion.

COMMISSIONER LAURIE: Question, Mr. Chairman. Are we going to have a legislative report today, --

COMMISSIONER PERNELL: Yes.

COMMISSIONER LAURIE: -- not from the Legislative Committee, but from Mr. Schmelzer?

COMMISSIONER PERNELL: Yes.

COMMISSIONER LAURIE: Okay, where --

CHAIRMAN KEESE: I heard the answer is yes. That will come under Committees and Oversight.

COMMISSIONER LAURIE: Okay. Thank you.

CHAIRMAN KEESE: I would like to read, as we start here, a resolution, a Commission resolution dated June 7th:

1 "Whereas, in a feat that confounds modern
2 research to develop energy-saving devices,
3 including long-lasting and energy-efficient
4 lighting, the Centennial Light Bulb continues
5 to shine 102 years after it was first
6 installed at a fire department hose cart
7 house in Livermore, California, and

8 Whereas the handblown bulb with carbon
9 filament still serves as a nightlight over
10 the fire trucks at Fire Station #6, 4550 East
11 Avenue, Livermore, and

12 Whereas the four-watt lamp has been
13 declared as the nation's oldest known working
14 lightbulb by the Guinness Book of World
15 Records and Ripley's Believe It or Not, and

16 Whereas the Livermore-Pleasanton Fire
17 Department intends to keep the bulb burning
18 as long as it will serve as a beacon to the
19 nation's firefighters whose heroism and
20 eternal vigilance came to the fore during the
21 events of September 11, 2001, and

22 Therefore Be It Resolved the Energy
23 Commission formally honors the Livermore
24 Centennial Light Bulb as a tribute to the men
25 and women of our firefighting forces,

1 especially those who had sacrificed their
2 lives so others may live."

3 One hundred and two years, four watts.

4 COMMISSIONER ROSENFELD: Probably four
5 lumens per watt.

6 CHAIRMAN KEESE: Commissioner Rosenfeld,
7 you have a long way to go to get that kind of
8 efficiency.

9 With that, I'd like a motion on the
10 consent calendar, items a and b. Item c is off.

11 COMMISSIONER LAURIE: Move the consent.

12 COMMISSIONER ROSENFELD: Second.

13 CHAIRMAN KEESE: Motion, Commissioner
14 Laurie; second, Commissioner Rosenfeld.

15 All in favor?

16 (Ayes.)

17 CHAIRMAN KEESE: Opposed? Adopted three
18 to nothing.

19 Item 2, Draft Strategic Plan. Possible
20 approval of the Siting Committee's Draft Strategic
21 Plan for Distributed Generation.

22 COMMISSIONER LAURIE: Mr. Chairman, if I
23 may.

24 CHAIRMAN KEESE: Commissioner Laurie.

25 COMMISSIONER LAURIE: Actually it's

1 really not the draft strategic plan anymore; it's
2 the --

3 CHAIRMAN KEESE: I should strike that
4 word, I understand.

5 COMMISSIONER LAURIE: Yes. This is a
6 process that has been ongoing for approximately
7 six months.

8 This Commission gave an authorization to
9 the Siting Committee to engage in this process
10 under the management of Mr. Tomashefsky. The
11 document you have that has been distributed has
12 been authored primarily by Mr. Tomashefsky and Ms.
13 Marks from my office, with the support of a whole
14 bunch of folks. And let me mention specifically
15 Laurie ten Hope and Mark Rawson.

16 Scott will provide a very brief summary,
17 but let me just note that the purpose of engaging
18 in this process was to put forward for discussion
19 a document that would allow all of those state
20 agencies involved in distributed generation issues
21 to proceed in hopefully a singular direction and
22 speak with a singular voice.

23 And I think the document does not
24 accomplish the end goal of having all the agencies
25 working in concert, but provide the framework from

1 which they can act.

2 So, with your permission, Mr. Chairman,
3 I'd ask Scott to introduce the topic. I think
4 there may be one or two folks who may wish to
5 offer comment.

6 MR. TOMASHEFSKY: Thank you,
7 Commissioner Laurie. Good morning, Commissioners.

8 COMMISSIONER PERNELL: Good morning.

9 MR. TOMASHEFSKY: The report, itself, we
10 had a series of workshops, hearings, a lot of
11 stakeholder comments, and in essence we have put
12 forth a vision that distributed generation would
13 be an integral part of the energy system in
14 California.

15 The basic mission would be that our
16 agency would become a leader in that effort to
17 promote it, provided that it makes sense to do so.
18 We're not looking to do it at all costs; we've
19 looking to do it provided it really is a good
20 decision. So we are not there to just throw it
21 out.

22 In essence what we've done is we've
23 created a series of near-term goals and really
24 looked to answer the question of whether there are
25 benefits to DG being on the grid. And in essence

1 our near-term goals, which we've largely set over
2 the next three to five years, we've said that we
3 would basically establish a coordination group
4 among state agencies to look at issues, in essence
5 to make sure that we're all on the same page in
6 terms of state policies, incentive programs,
7 various things that our respective agencies are
8 most interested in doing.

9 Secondly, we are looking at consumer
10 education and awareness as a main focal point of
11 getting the word out and explaining to
12 stakeholders, consumers, public entities, anyone
13 who really could benefit from DG. To really give
14 them an understanding of what it can provide, and
15 what are some of the things it could not provide.

16 And thirdly, our R&D funding, which
17 we've largely been involved here for several years
18 with several other items on the agenda today that
19 would fit closely into that realm, to the vast
20 development of these technologies.

21 So, we're looking in the near term to
22 get the answers. And if the answers are
23 relatively positive, then for the longer term we
24 really look towards more rounded deployment with
25 the idea of trying to bring down technologies,

1 bring up the efficiencies, and the like.

2 There was some, in the draft report we
3 actually had a number in the longer term goal for
4 targeted incremental generation of 20 percent.
5 And what we've done as a modification is we've now
6 put that into the near-term goals to try to
7 determine what that percentage would be.

8 So, that, in essence, is a summary.
9 I've been very fortunate to run this process with
10 Mignon, as well, and also we've had about 25 to 30
11 sets of written correspondences between
12 stakeholders, so it's been a very rewarding
13 experience. And we've had an opportunity to
14 really get some good public comment.

15 COMMISSIONER LAURIE: Thank you.
16 Questions of Mr. Tomashefsky at this point from
17 the Commissioners?

18 CHAIRMAN KEESE: Do we have any public
19 comment?

20 Manuel and Ms. Clinton, I think are
21 going to speak?

22 MR. ALVAREZ: Good morning,
23 Commissioners. Manuel Alvarez with the Southern
24 California Edison Company.

25 I'm here today basically to commend the

1 Committee and the staff for this report. I think
2 the last couple of hearings that we've had were
3 definitely worthy of discussion and it shows that
4 the energy debate, the policy debate that takes
5 place is, in fact, undertaken here at this agency.

6 So, I commend the Committee for their
7 work and their diligence. So, I'm asking you here
8 to support this particular report.

9 There's two items I want to bring to
10 your attention. One is this near-term study that
11 you propose as a near-term goal. I'd like to
12 offer our services in helping you prepare that
13 report. We think it's critical that the utilities
14 be involved in that report, as well as the other
15 stakeholders. And I'm here basically to submit to
16 you that we will commit the resources we need to
17 fulfill that study and to reach that question of
18 the goal and the objective.

19 The other item I wanted to bring to your
20 attention is basically a clarification. On page
21 17 of the report you make reference to an issue of
22 a new barrier, basically that deals with the
23 question of the state contracts of energy
24 procurement that the state undertook as a result
25 of the energy problems that we had in the last

1 couple of years.

2 What I'd like to put in the Commission's
3 mind basically is the contracts that were
4 undertaken were not undertaken as barriers to
5 distributed generation. They were undertaken for
6 other purposes to help the state solve its
7 problems.

8 So the characterization that those were
9 done as barriers, in other words, putting a
10 roadblock up to DG, I think, is a bit of a
11 mischaracterization. And I think that happens in
12 a lot of areas on regulatory policies.

13 The policies that are established are
14 not established specifically to keep DG out of the
15 marketplace. They were established for some other
16 purpose. And I think we need to recognize that.

17 So, this notion, this idea that barriers
18 were constructed as means by which DG would be
19 restricted I don't think is a proper
20 characterization. So that, I think, is something
21 that we need to work on as a group, as a group of
22 stakeholders of how those regulatory policies are
23 established and what constitutes a barrier.

24 And with that, that's all I have to say.

25 Thank you.

1 CHAIRMAN KEESE: I think that's -- I
2 would think that we could almost handle that
3 editorially. That I'm sure that that was the
4 intent.

5 MR. TOMASHEFSKY: Yeah, it's sort of an
6 unintended consequence to the distributed --

7 CHAIRMAN KEESE: Unintended consequence.
8 Ms. Clinton, did you wish to speak?

9 MS. CLINTON: Good morning,
10 Commissioners. I'm Jean Clinton, Deputy Director
11 of Conservation and Distributed Generation,
12 California Power Authority, across the street.

13 I just wanted to state briefly to
14 elaborate on a couple of points in a letter that
15 we submitted yesterday to all of you.

16 First of all, we applaud the efforts of
17 the Energy Commission in undertaking this process
18 and trying to pull together these rather complex
19 issues. We did participate in a rather modest way
20 in your proceeding. We weren't totally silent,
21 but perhaps we weren't as active as we might have
22 been due to the pressures on our schedules.

23 What I wanted to do today was to say a
24 couple things. One, partly motivated by your
25 kicking off your DG process for the strategic

1 plan, the Power Authority directed our staff to
2 develop a policy for the Power Authority to
3 establish on DG policy. And they did that, and
4 that policy was attached to your letter yesterday.
5 And that was adopted on May 10th.

6 There are three points in that that I
7 wanted to just underscore, as you proceed to adopt
8 the Commission's plan today.

9 First of all, we totally endorse the
10 idea of collaboration, not only across state
11 agencies, but with the industry, on moving into
12 sort of a consensus commercialization plan for the
13 DG technologies.

14 And we're fully prepared to participate
15 in that process. And we think a commercialization
16 plan is critical to getting the pricing cost down
17 on the technology.

18 Secondly, there are two points where we
19 want to encourage you to accelerate timeframes for
20 actions that are in your document. And
21 specifically those are on the R&D on DG technology
22 performance and price reduction, and on the
23 research, modeling and testing of how widescale
24 deployment of DG affects the electricity grid.

25 And rather than have those undertakings

1 occur over three to five years, we would heartily
2 endorse trying to get at those very important
3 questions in one to two years.

4 And that concludes my comments. Thank
5 you.

6 CHAIRMAN KEESE: Thank you.

7 COMMISSIONER LAURIE: Did you want to
8 respond to that, Scott?

9 MR. TOMASHEFSKY: I think that to the
10 extent the better the collaborative effort is the
11 faster we can get those things done. We can
12 certainly look at what the schedules are.

13 I think we were just trying to be
14 conservatively realistic, I guess, in terms of
15 what we thought we could get accomplished. But to
16 the extent we can accelerate it, that would be
17 great.

18 CHAIRMAN KEESE: And cooperation among
19 different groups will help us accelerate the
20 effort.

21 Do I have a motion.

22 COMMISSIONER LAURIE: Mr. Chairman, I'm
23 pleased to offer a motion to approve the Energy
24 Commission's strategic plan for distributed
25 generation.

1 COMMISSIONER ROSENFELD: Second.

2 CHAIRMAN KEESE: Motion, Commissioner
3 Laurie; second, Commissioner Rosenfeld. Any
4 further comments?

5 COMMISSIONER PERNELL: Mr. Chairman,
6 just on the plan, itself, I, too, would echo
7 Commissioner Laurie's comments. And just thank
8 everyone, Scott and Mignon, and of course, Ellie
9 from my staff, for working on that. And all of
10 the sister agencies and the stakeholders.

11 I mean I think this is an example of how
12 we can actually come together and put a document
13 together that is transparent and everyone knows
14 what's going on.

15 So, I want to commend Commissioner
16 Laurie for suggesting and moving forward with
17 this. And it appears to me that it's a good
18 starting point for followup discussions with other
19 agencies as it relates to distributed generation.

20 CHAIRMAN KEESE: Thank you. All in
21 favor?

22 (Ayes.)

23 CHAIRMAN KEESE: Opposed? Adopted, four
24 to nothing.

25 COMMISSIONER LAURIE: Again, Mr.

1 Chairman, my gratitude to Mr. Tomashefsky and Ms.
2 Marks for the effort in authorship of this
3 important document. Thank you.

4 CHAIRMAN KEESE: Thank you. I'll just
5 mention that Commissioner Boyd will not be joining
6 us today. He's out of state on government
7 business.

8 Item 3, Local Jurisdiction Account.
9 Possible approval of a loan for \$2 million to the
10 Antelope Valley Union High School District for
11 installation of energy efficient lighting and
12 controls and the replacement of old heat pumps on
13 portable classrooms districtwide. Good morning.

14 MS. ORLANDO: Good morning, --

15 CHAIRMAN KEESE: Briefly.

16 MS. ORLANDO: -- Commissioners.

17 COMMISSIONER PERNELL: Good morning.

18 MS. ORLANDO: This is a school district
19 that serves the Lancaster/Palmdale area. They
20 participated in our rate schools program and this
21 was actually a cost share on their part. They
22 paid \$32,000 towards their share of the audit.

23 We identified some energy efficient
24 projects that include lighting and replacing of
25 old heat pumps for the schools that will not be

1 modernized. They're hoping that the final test in
2 the fall and will be able to modernize three of
3 the high schools.

4 So the remaining three high schools and
5 eight other school sites such as the district
6 office, ROP, continuing education are in need of
7 lighting retrofits. So this loan will help
8 support those projects. And the payback period is
9 7.2 years.

10 CHAIRMAN KEESE: Thank you.

11 COMMISSIONER PERNELL: Mr. Chairman,
12 this item came before the Efficiency Committee.
13 It passed out of the Efficiency Committee. And I
14 would so move staff recommendation.

15 CHAIRMAN KEESE: Motion, Commissioner
16 Pernell.

17 COMMISSIONER ROSENFELD: Second.

18 CHAIRMAN KEESE: Second, Commissioner
19 Rosenfeld.

20 CHAIRMAN KEESE: Further comment? Any
21 public comment?

22 All in favor?

23 (Ayes.)

24 CHAIRMAN KEESE: Opposed? Four to
25 nothing. Thank you.

1 COMMISSIONER PERNELL: Thank you.

2 CHAIRMAN KEESE: Item 4, Energy
3 Conservation Assistance Act Account. Possible
4 approval of a loan to Chabot Las Positas Community
5 College District for \$486,500 to install a 280
6 kilowatt natural gas fired cogeneration system.

7 Good morning.

8 MR. WANG: Good morning, Commissioners.
9 My name is Joseph Wang and I'm the Project
10 Manager. Chabot Los Positas Community College
11 District has requested a \$486,500 loan to replace
12 the existing smaller loan.

13 The purpose of this project is to
14 install a larger, 280 kW cogen system in the
15 swimming pool complex. This project will be run
16 as a baseloaded system based on the campus'
17 electric load demand profile.

18 The waste heat from the cogen system
19 will be used to heat the swimming pool and the
20 domestic hot water. The system will reduce the
21 college's annual cost by about \$122,000. And the
22 project's simple payback is 4.0 years after PG&E
23 rebates.

24 The staff has reviewed the project and
25 recommends approval of the loan.

1 COMMISSIONER PERNELL: Mr. Chairman.

2 CHAIRMAN KEESE: Thank you.

3 Commissioner Pernell.

4 COMMISSIONER PERNELL: Again, this
5 proposal came before the Committee and passed out.
6 And I would so move the item.

7 COMMISSIONER ROSENFELD: Second.

8 CHAIRMAN KEESE: Motion, Commissioner
9 Pernell; second, Commissioner Rosenfeld. I do
10 have one question for you.

11 MR. WANG: Yes, sir.

12 CHAIRMAN KEESE: Will Chabot have to pay
13 an exit fee in conjunction with this project?

14 MR. WANG: We don't know right now
15 because the exit fee is still in a CPUC
16 proceeding. And we will put a condition in our
17 loan agreement saying this loan will not be
18 affected by exit fee imposed in the future.

19 CHAIRMAN KEESE: The imposition of an
20 exit fee would perhaps impact the payback period
21 on this loan?

22 MR. WANG: Yes, it will.

23 CHAIRMAN KEESE: But the four-year
24 payback is based on no exit fee?

25 MR. WANG: That's correct.

1 CHAIRMAN KEESE: Could we imagine that
2 there would be an exit fee, would take this beyond
3 the seven or eight years of payback that we'd like
4 to see?

5 MR. WANG: We ran an exit fee about two
6 cents; and the payback is about 5.3, something
7 like that.

8 CHAIRMAN KEESE: Thank you.

9 MR. WANG: It's still very cost
10 effective.

11 CHAIRMAN KEESE: Thank you. I just
12 think we're going to have to pay attention to this
13 cross-cutting issue which is that we're trying to
14 incentivize something and unfortunately again the
15 law of unintended consequences that we have a lot
16 of these DWR contracts out there that are going to
17 have to be paid somehow. And we're going to get
18 exit fees, which work against what we're trying to
19 do.

20 Integrating that will be an interesting
21 activity.

22 COMMISSIONER PERNELL: Mr. Chairman, I
23 think your point's well taken. However, I guess I
24 would ask our legal counsel, can we put such a
25 condition in our contract that it not be required

1 to do exit fee, since that's not in our regulatory
2 domain.

3 MR. BLEES: The Commission could include
4 a condition that would terminate or modify the
5 contract if an exit fee were imposed, or an exit
6 fee of a certain amount. The Commission cannot
7 prevent the Public Utilities Commission from
8 imposing an exit fee on IOU customers if it wants
9 to.

10 COMMISSIONER PERNELL: Thank you.

11 CHAIRMAN KEESE: All in favor?

12 (Ayes.)

13 CHAIRMAN KEESE: Opposed? Adopted four
14 to nothing. Thank you.

15 COMMISSIONER PERNELL: Thank you.

16 CHAIRMAN KEESE: Item 5, Sonoma
17 Development Center. Possible approval of contract
18 500-01-037 for \$105,000 to cofund a demonstration
19 of successful, long-term, ultra-low NOx operation
20 of a Xonon catalytic combustion module when
21 installed and operated on an industrial gas
22 turbine under typical institutional end-user
23 conditions.

24 Good morning.

25 MR. BATHAM: Good morning, Mr. Chairman,

1 good morning, Commissioners. My name is Michael
2 Batham, I'm the lead for the environmentally
3 preferred advanced generation portion of the PIER
4 program.

5 One small correction. This interagency
6 agreement is actually with the Department of
7 Developmental Services on behalf of their largest
8 facility, which is the Sonoma Developmental
9 Center.

10 This is an interagency agreement that
11 will cofund the installation of a gas turbine that
12 will meet the air quality limitations that are now
13 in effect based upon SB-1298. In addition, it'll
14 be the first commercial installation of this gas
15 turbine with a Xonon technology which was funded
16 through earlier contracts with the Energy
17 Commission.

18 It will also give us some real life data
19 based upon a commercial application and testing in
20 a facility that's going to be controlled by an end
21 user, which will use protocols that we had earlier
22 also developed under a separate contract for doing
23 standardized testing and evaluation of these new
24 technologies.

25 With me here is Dr. John Beyer, who can

1 answer any specific detailed questions, should you
2 have those, on this interagency agreement.

3 The Commission's funding will be
4 \$105,000; the applicant is putting in
5 approximately \$1.17 million. And additional
6 budget is being provided by two industrial
7 partners, as well as the Department of Energy.

8 CHAIRMAN KEESE: Thank you. I guess my
9 question, can you help me a little bit, --
10 operated industrial gas turbine under typical
11 institutional end-user conditions. What size are
12 we talking about here?

13 MR. BATHAM: It's a 1.4 megawatt
14 facility.

15 CHAIRMAN KEESE: Is what we're talking
16 about applicable to units of other different size,
17 or is it -- can you give me a range? Is it one to
18 five that it would work for? Or would this
19 technology work anywhere?

20 MR. BATHAM: It's unclear exactly what
21 the size range is that it would work. The hope is
22 that it's going to be working in technologies in
23 the multi-megawatt size range, potentially 20 to
24 30 megawatts.

25 We have other contracts that we're going

1 to be proposing which will actually do the
2 developmental work necessary to demonstrate its
3 capability of working in multiple burner or
4 combustor technologies in larger size turbines.

5 It could also be down-scaled to smaller
6 turbines, as well. But exactly what the smaller
7 size range is, it's premature to give a limit at
8 this point in time.

9 Hopefully it will be in the sub-megawatt
10 size range to the 30-plus-megawatt size range.

11 CHAIRMAN KEESE: Is it likely, or is it
12 foreseeable that it could operate in the same
13 range -- I see that we're looking at under 3
14 ppm -- is it likely that it could be sized down or
15 sized up, and stay in that range?

16 MR. BATHAM: Sized up and down within
17 terms of the megawatt capacity of the machine --

18 CHAIRMAN KEESE: And still say within
19 that --

20 MR. BATHAM: -- and the --

21 CHAIRMAN KEESE: -- under 3 ppm.

22 MR. BATHAM: Yes. The goal is actually
23 to get it down to the 2 ppm range, but, yes.

24 CHAIRMAN KEESE: I guess my final
25 question would be this could become BACT?

1 MR. BATHAM: Conceivable, yes.

2 CHAIRMAN KEESE: How many years?

3 MR. BATHAM: That's a question that the
4 Air Resources Board would have to respond to. I'm
5 sorry, I --

6 CHAIRMAN KEESE: Are we in the two years
7 or five years? Give me, just for --

8 MR. BATHAM: I would suspect --

9 CHAIRMAN KEESE: Ten?

10 MR. BATHAM: -- in the two to five --

11 CHAIRMAN KEESE: Two to five range.

12 MR. BATHAM: -- range assuming that
13 everything works as we hope that it will work.

14 CHAIRMAN KEESE: Okay, thank you. Any
15 other questions here?

16 COMMISSIONER PERNELL: Yeah, Mr.
17 Chairman.

18 CHAIRMAN KEESE: Commissioner Pernell.

19 COMMISSIONER PERNELL: How many years is
20 the contract for?

21 MR. BATHAM: Three years.

22 COMMISSIONER PERNELL: And what type of
23 gas turbine are we talking about?

24 MR. BATHAM: It's a Kawasaki gas
25 turbine. It's going to be in a combined heat

1 power application.

2 COMMISSIONER PERNELL: Okay, but it's a
3 Kawasaki.

4 MR. BEYER: We can amplify on that.
5 They have to, the Sonoma Developmental Center have
6 had a Kawasaki, basically the same Kawasaki
7 turbine operating for 12 years.

8 Now, we will be installing a zero hour
9 rebuilt turbine, or a new turbine, but it will be
10 basically the same design turbine, now with this
11 Xonon combustor on it.

12 So part of our interest in this project
13 is we will get both prior data and the new data
14 for a three-year period to compare and actually
15 show the approved performance and emissions.

16 CHAIRMAN KEESE: What are the emissions
17 now?

18 MR. BEYER: They're in the vicinity of
19 30 ppm. So this will be --

20 CHAIRMAN KEESE: Thank you.

21 MR. BEYER: -- cutting it to less than
22 10 percent of that.

23 COMMISSIONER PERNELL: And I thought I
24 heard you say this is a state agency, so there's
25 an MOU involved?

1 MR. BATHAM: It's an interagency
2 agreement --

3 COMMISSIONER PERNELL: Interagency
4 agreement, but it's a state agency that --

5 MR. BATHAM: Yes, it is a --

6 COMMISSIONER PERNELL: -- we're
7 partnering with here?

8 MR. BATHAM: Yes, that's correct.

9 COMMISSIONER PERNELL: Okay.

10 CHAIRMAN KEESE: Which has you answering
11 my next question of legal counsel, this contract
12 is exempt from the sole source provisions put out
13 recently by the Administration?

14 MR. BLEES: That's my understanding,
15 yes.

16 CHAIRMAN KEESE: Okay. That was staff's
17 understanding.

18 MR. BATHAM: It's not exempted because
19 it's not a sole source contract at all. It's in a
20 different category all together.

21 CHAIRMAN KEESE: It does not fall in the
22 sole source category. I will be asking that
23 question on all contracts, Mr. Blees.

24 And some of them may not be as easy.

25 Thank you. Any further comments here?

1 COMMISSIONER ROSENFELD: Mr. Chairman,
2 this came out of the R&D subcommittee, and so I
3 move --

4 CHAIRMAN KEESE: Motion, Commissioner
5 Rosenfeld.

6 COMMISSIONER PERNELL: Second.

7 CHAIRMAN KEESE: Second, Commissioner
8 Pernell.

9 All in favor?

10 (Ayes.)

11 CHAIRMAN KEESE: Opposed? Three to
12 nothing.

13 Item 6, Orange County Sanitation
14 District. Possible approval of contract 700-01-
15 006 for \$250,000 to conduct a pathogen reduction
16 pilot testing program. Based on the results OCSD
17 will install disinfection equipment on their
18 wastewater discharge to insure that wastewater
19 effluent cannot contribute to the beach closures
20 in the Huntington Beach areas.

21 Good morning.

22 MR. BUELL: Good morning; my name is
23 Richard Buell. I'm the contract manager on this
24 project. Lorraine White is the technical person
25 and to my right.

1 The purpose of the contract is to fund
2 Orange County Sanitation District pilot test
3 program for testing potential pathogen reduction
4 technologies.

5 The shoreline along the Huntington Beach
6 area where the outflow is located has been
7 chronically impacted with high levels of bacteria
8 that exceed the California State water quality
9 standards. There are a number of potential
10 sources for this contamination including the
11 Orange County Sanitation District outflow which
12 currently does not have any disinfection
13 technologies applied to it.

14 Other sources are the Talbert marsh,
15 urban runoff and other point sources that
16 discharge into the Santa Ana River. Another
17 potential source of contamination is the
18 Huntington Beach Power Plant restart which the
19 Commission approved last year. That project could
20 either exacerbate or contribute to ongoing
21 problems in that area.

22 Senate Bill 28X appropriated \$250,000
23 from general fund to the Commission to contract or
24 conduct a study of possible remedies to the
25 shoreline contamination. Those studies were to be

1 conducted in consultation with Orange County
2 Sanitation District.

3 Starting the summer of 2002 the Orange
4 County Sanitation District will begin this pilot
5 test program of a number of different
6 technologies. The results of these tests will not
7 only help the District determine what technologies
8 that they should apply to their water outflow, but
9 also help the staff evaluate possible mitigation
10 measures for the Huntington Beach Power Plant.

11 Any questions?

12 CHAIRMAN KEESE: None here. Any
13 questions? Any public comment? Do I have a
14 motion?

15 COMMISSIONER PERNELL: Mr. Chairman, I
16 would so move staff recommendation.

17 CHAIRMAN KEESE: Motion, Commissioner
18 Pernell.

19 COMMISSIONER ROSENFELD: Second.

20 CHAIRMAN KEESE: Second, Commissioner
21 Rosenfeld.

22 All in favor?

23 (Ayes.)

24 CHAIRMAN KEESE: Opposed? Adopted three
25 to nothing, thank you.

1 COMMISSIONER PERNELL: Thank you.

2 CHAIRMAN KEESE: Item 7, Arthur D.

3 Little. Possible approval of contract 600-01-095
4 for \$500,000 to produce a series of studies on
5 hydrogen fueling infrastructure issues.

6 MR. BLACKBURN: Good morning, Mr.
7 Chairman and Commissioners. My name is Bill
8 Blackburn with the transportation technology
9 office.

10 The Energy Commission has been pursuing
11 the development of clean alternative fuels for
12 nearly a quarter of a century. In recent years
13 one of our areas of focus has been on fuel cell
14 vehicles and the needed hydrogen fueling
15 infrastructure.

16 Because hydrogen has not been widely
17 used as a transportation fuel many issues need to
18 be addressed. This project will conduct in-depth
19 research analysis and site visits on a wide
20 variety of relevant hydrogen fueling related
21 areas. Topics include steps to developing safe
22 hydrogen fueling station; failure modes and
23 effects analysis; natural gas and hydrogen fueling
24 station co-location potential; long term supply
25 and demand issues with hydrogen; and other related

1 topics.

2 In October of 2001 the Energy Commission
3 released an RFP to select a qualified contractor
4 to produce a series of reports on hydrogen fueling
5 infrastructure issues. Of the 11 proposals
6 received, five passed technical score, and Arthur
7 D. Little, Incorporated was selected as the lowest
8 cost bidder.

9 In February, after the notice of award
10 was made, Arthur D. Little filed for bankruptcy
11 protection. As a result, TX, LLC purchased the
12 technology and innovation business, the group
13 within A.D. Little that bid on this project.

14 During this business change the
15 Commission Staff worked with our legal office and
16 A.D. Little to explore options with regard to this
17 project. Staff's recommendation was to go forward
18 with the contract with additional language under
19 the terms and conditions to insure the package
20 that was proposed in the RFP would not change in
21 any significant way.

22 The study will be used by the Commission
23 as well as numerous stakeholders, including
24 members of the California Fuel Cell Partnership,
25 California Transit Agencies, public and private

1 fleets and others.

2 I ask for your support.

3 CHAIRMAN KEESE: Thank you. And,
4 counsel, this is also not a contract, a sole
5 source contract subject to the orders? It was a
6 contract that was put out to bid, is that correct?

7 MR. BLEES: Right.

8 CHAIRMAN KEESE: Thank you. Do I have a
9 motion?

10 COMMISSIONER PERNELL: Question, Mr.
11 Chairman.

12 CHAIRMAN KEESE: Question, Commissioner
13 Pernell.

14 COMMISSIONER PERNELL: We have a --
15 we're in partnership with the Fuel Cell
16 Partnership which has a hydrogen fueling station
17 already.

18 MR. BLACKBURN: That's correct.

19 COMMISSIONER PERNELL: Is any studies
20 being done on that?

21 MR. BLACKBURN: There have been -- some
22 work has been done like an engineering analysis
23 review of failure modes and effects analysis. We
24 intend this project to look at that station, some
25 other stations in southern California and actually

1 do site visits.

2 So, that will likely be one of the ones
3 that will be included.

4 COMMISSIONER PERNELL: And this doesn't
5 include any construction of stations, this is just
6 studying existing stations?

7 MR. BLACKBURN: That's correct. It's
8 studying existing stations; it's looking out in
9 the future in terms of supply and demand; it's
10 looking at codes, standards, safety issues. A
11 number of issues relating to hydrogen fueling
12 infrastructure.

13 COMMISSIONER PERNELL: And you mentioned
14 a number of other organizations involved. Are
15 they putting any money in?

16 MR. BLACKBURN: No. This is money that
17 was approved in the budget; it's PBA money from
18 the 2000/2001 fiscal year.

19 CHAIRMAN KEESE: Thank you. Do I have a
20 motion?

21 COMMISSIONER ROSENFELD: I move the
22 contract.

23 CHAIRMAN KEESE: Motion, --

24 COMMISSIONER PERNELL: Second.

25 CHAIRMAN KEESE: -- Commissioner

1 Rosenfeld; second, Commissioner Pernell.

2 All in favor?

3 (Ayes.)

4 CHAIRMAN KEESE: Opposed? Adopted three
5 to nothing. Thank you.

6 Item 8, American Water Works Association
7 Research Foundation. Possible approval of
8 contract 500-01-040 for \$400,000 to fund high
9 priority projects identified in a roadmap
10 developed for water and wastewater energy
11 efficiency.

12 MR. ROGGENSACK: Good morning, Mr.
13 Chairman, Members of the Commission. My name is
14 Paul Roggensack. I'm a -- for the PIER
15 industrial, agriculture and water team and --.

16 The purpose of item number 8 is to
17 request approval for a \$400,000 contract to the
18 American Water Association Research Foundation.
19 AWARF will be matching our \$400,000. Phase one of
20 this project will be to develop a technology
21 roadmap to improve energy efficiency for water and
22 wastewater technologies.

23 The contract will appropriate \$25,000 to
24 that, and then AWARF will match that, so we'll
25 have \$50,000 to bring in industry professionals to

1 develop a technology roadmap that will identify
2 and prioritize emerging research priorities within
3 these industries.

4 The remaining \$375,000 will -- with
5 AWARF, so will be to -- \$150,000 for research
6 projects. AWARF will use their solicitation
7 process to select the research projects. And the
8 roadmap will be used to choose those projects from
9 the solicitation project.

10 This project was approved by the R&D
11 Committee and AWARF. The AWARF Board has also
12 approved the funding for this project.

13 Any questions?

14 CHAIRMAN KEESE: Thank you.

15 COMMISSIONER PERNELL: Mr. Chairman.

16 CHAIRMAN KEESE: Commissioner Pernell.

17 COMMISSIONER PERNELL: The AWARF?

18 MR. ROGGENSACK: American Water
19 Association Research Foundation?

20 COMMISSIONER PERNELL: Right. So,
21 they're not a state agency, they're a foundation?

22 MR. ROGGENSACK: They're a nonprofit
23 research foundation. They receive -- they have
24 over 930 water agencies nationwide, approximately
25 180 of which are from California. And their

1 primary goal is to fund the research for --

2 COMMISSIONER PERNELL: Right, so I'm
3 sure Mr. Chairman is going to have to question to
4 legal about --

5 CHAIRMAN KEESE: Yes, I am.

6 COMMISSIONER PERNELL: -- but let me go
7 down a different road, if you will. Who's going
8 to identify and develop the roadmap for the water
9 projects?

10 MR. ROGGENSACK: The Energy Commission,
11 along with AWARF, will select -- first we'll
12 select a steering committee of industry
13 professionals, and then we will invite workshop
14 participants to actually develop the technology
15 roadmap.

16 COMMISSIONER PERNELL: And that's the
17 same process what happened with the projects that
18 we're going to -- with the pilot projects that
19 we're going to study here?

20 MR. ROGGENSACK: AWARF has a
21 solicitation process of requests for proposals.
22 We will use their process and we will cooperate
23 with AWARF in selecting the successful bidders for
24 research projects.

25 COMMISSIONER PERNELL: And what's the

1 outcome of the project? I mean in a sentence or
2 two. What do you hope to gain by developing a
3 roadmap, looking for priority projects, you know,
4 wastewater energy efficiency?

5 MR. ROGGENSACK: The roadmap will first
6 of all identify and also prioritize the
7 technologies that are most important for water and
8 wastewater in terms of energy use.

9 And then the selection process, the
10 750,000 will actually fund projects that meet the
11 criteria of the roadmap.

12 MR. KULKARNI: Maybe I can possibly add
13 to that. Water and wastewater treatment is one of
14 the larger -- in California. Two years ago we got
15 several proposals from water treatment agencies in
16 response to the energy crisis, how we can reduce
17 the energy costs.

18 Rather than take them one by one, -- we
19 thought we should have some kind of plan as to
20 what are the priorities in this regard. And we
21 thought, you know, industries should get
22 together -- and AWARF is one indication of
23 that -- and decide where -- such money should go.

24 So what we expect to get out of this
25 proposal is a ranking of the issues, energy

1 issues, -- and then, part two, fund those
2 accordingly with the rank of the priority --
3 solicited proposal to RFP by AWARF. And that's
4 what we expect to get out of this proposal.

5 COMMISSIONER PERNELL: Right. Well, the
6 reason I bring this up is the Efficiency Committee
7 has funded a number of wastewater efficiency
8 projects, and so I'm just trying to get a
9 connection here.

10 Will there be a report at the end?

11 MR. ROGGENSACK: Yes, there will.

12 MR. KULKARNI: Yes. In fact there will
13 be several reports, because each will -- let's say
14 you come out with three -- proposals, I mean
15 projects out of this. They have a set process for
16 report of technology -- and then that each such
17 project.

18 COMMISSIONER PERNELL: Okay. Thank you,
19 Mr. Chairman.

20 CHAIRMAN KEESE: Thank you. Counsel?

21 MR. BLEES: Mr. Chairman, since I don't
22 have personal knowledge of all these contracts,
23 what I propose doing is having the staff attorneys
24 who worked on every one of the noncompetitively
25 bid contracts submit a short memo to you and the

1 other Commissioners dealing specifically with the
2 justification for noncompetitive -- for not going
3 through the competitive bidding process.

4 CHAIRMAN KEESE: Okay. I understand,
5 this is a noncompetitive?

6 MR. KULKARNI: That's right.

7 CHAIRMAN KEESE: And I am led to believe
8 that we're going to add language, or we're putting
9 language in?

10 MR. KULKARNI: That's correct, --

11 CHAIRMAN KEESE: So that we're going to
12 approve this contingent upon a finding that it is
13 consistent with the contracting rules which have
14 not yet been set out for us? Is that --

15 MR. KULKARNI: Yes, we'll do that.

16 CHAIRMAN KEESE: -- my understanding?

17 MR. LARSON: Yes.

18 CHAIRMAN KEESE: Okay. Does everybody
19 understand that? We're approving it contingent
20 upon a finding by legal counsel that it complies
21 with the contracting rules that have been
22 announced but not yet disclosed.

23 With that, anybody else want to comment
24 on this item? Do I have a motion?

25 COMMISSIONER ROSENFELD: Mr. Chairman,

1 with your contingency I move the contract.

2 CHAIRMAN KEESE: Motion, Commissioner
3 Rosenfeld.

4 COMMISSIONER PERNELL: Second.

5 CHAIRMAN KEESE: Second, Commissioner
6 Pernell.

7 All in favor?

8 (Ayes.)

9 CHAIRMAN KEESE: Opposed? Adopted three
10 to nothing. Thank you.

11 Item 9, Air Resources Board. Possible
12 approval of contract 500-01-038 for \$436,516 to
13 improve short-range dispersion models.

14 Good morning.

15 MS. MUELLER: Good morning,
16 Commissioners. I'm Marla Mueller with the PIER
17 environmental assessment program. I'm presenting
18 to you today for possible approval an interagency
19 agreement with the California Air Resources Board
20 to approve short-range dispersion modeling for air
21 pollution.

22 This project would include models that
23 can be used to assess risks associated with
24 exposure to criteria pollutants and air toxics --
25 proposed power plants that are in environments.

1 The model and data developed under this
2 contract should be a valuable enhancement to
3 environmental justice analysis conducted by
4 Commission Staff during power plant licensing.

5 The ARB, the cosponsor of this project,
6 is contributing about \$475,000; in addition the
7 ARB is providing about \$100,000 in-kind services
8 to manage this project and to conduct modeling
9 support.

10 The ARB project is to collect a database
11 and to develop an algorithm to estimate impact --
12 ground level urban sources at distances of 10
13 meters to a few kilometers from the sources. One
14 of the major objectives of the project is to
15 collect -- database derived from tracer
16 experiments conducted in several urban areas.

17 The evaluated -- then will be designed
18 for appropriation into models such as AIRMOD.
19 This project will extend the ARB project to
20 include air pollution impacts of elevated sources
21 such as power plants located in urban areas.

22 The project will also develop a much
23 needed tracer database which will be used to
24 evaluate the algorithm.

25 I would like to mention that the PIER-EA

1 and ARB cosponsored a short-range dispersion
2 workshop last January with experts in the field of
3 short-range dispersion modeling. The participants
4 identified the need for high quality tracer
5 databases as one of the critical needs of the
6 development of accurate dispersion models. This
7 project addressed that need.

8 I'll try to answer any questions you
9 have. Thank you.

10 COMMISSIONER PERNELL: Mr. Chairman, I
11 would move the item.

12 CHAIRMAN KEESE: Motion, --

13 COMMISSIONER ROSENFELD: Second.

14 CHAIRMAN KEESE: -- Commissioner
15 Pernell. Second by Commissioner Rosenfeld.

16 The Energy Commission is going to be
17 actively involved in this program?

18 MS. MUELLER: Yes.

19 CHAIRMAN KEESE: But we're giving the
20 \$436,000 to the ARB who's going to run it?

21 MS. MUELLER: Yes. ARB has a contract
22 with UC Riverside, so they will be managing the
23 contract with UC Riverside; we'll be on an
24 advisory committee working with ARB.

25 CHAIRMAN KEESE: Thank you. Any other

1 comment? Public comment?

2 All in favor?

3 (Ayes.)

4 CHAIRMAN KEESE: Opposed? Adopted four
5 to nothing. Commissioner Laurie, I know you had
6 to step out for a moment. We've taken up and
7 approved item 3 through 8. Would you like to be
8 recorded s voting aye on those items?

9 COMMISSIONER LAURIE: Yes, Mr. Chairman,
10 I'm familiar with them all and I support all
11 positive Commission actions on those.

12 CHAIRMAN KEESE: Thank you. So items 3
13 to 8, the vote will be four to nothing.

14 Item 10, New Power Technologies.
15 Possible approval of contract 500-01-039 for
16 \$616,689 in association with the Silicon Valley
17 Manufacturing Group to demonstrate a methodology
18 to assess the benefits of distributed energy
19 resources to the T&D, Transmission and
20 Distribution Network.

21 Good morning.

22 MS. KELLY: Good morning, Commissioners.
23 My name is Linda Kelly. I work with PIER in the
24 energy systems integration research program.

25 The objective of this contract is to

1 demonstrate a methodology that can identify
2 whether distributed energy resources can
3 significantly enhance T&D network performance and
4 eliminate or defer network improvements.

5 In order to fully understand the value
6 of distributed energy resources this project will
7 consider multiple network performance measures
8 including stability and power quality, as well as
9 losses.

10 This contract will achieve these
11 objectives by demonstrating a methodology that
12 will first integrate transmission and distribution
13 systems into a single network. Then using a new
14 software tool, additions of dispatchable demand
15 side management, embedded generation and reactive
16 capacity that can significantly enhance network
17 performance and potentially eliminate or defer T&D
18 improvements will be studied.

19 These additions will be characterized
20 then as DER projects. That includes distributed
21 generation, demand reduction and other options,
22 with specific physical and operational attributes.
23 And then will be quantified in engineering and
24 financial terms. Finally, beneficial projects
25 will be identified.

1 This information will be shared with
2 interested stakeholders, regulators and agencies;
3 we'll have reports, and we will also have a final
4 workshop in which this information will be fully
5 discussed with everyone.

6 Once this information has been generated
7 and discussed, the information will be used to
8 recommend policy changes and incentives to promote
9 DER projects having network benefits. They've
10 been talked about, benefits of DER, for a long
11 time. And these benefits, I think it's time to
12 identify where they are, what they are, and what
13 their value is to the transmission and
14 distribution system. And this project will
15 address that problem.

16 CHAIRMAN KEESE: Thank you. And this
17 was a competitively bid project?

18 MS. KELLY: No, this is a sole source
19 contract.

20 CHAIRMAN KEESE: Okay. Counsel.

21 MR. BLEES: It's my understanding this
22 qualifies for the statutory exemption for certain
23 PIER projects.

24 CHAIRMAN KEESE: So we would adopt it
25 subject to?

1 MR. BLEES: I don't believe that it
2 would be subject to the new rules.

3 COMMISSIONER LAURIE: This is --

4 CHAIRMAN KEESE: I'm going to say
5 subject to counsel advising us that this falls
6 within the exemption under the rules yet to be
7 promulgated. Is that acceptable?

8 MR. BLEES: Yeah, you can --

9 COMMISSIONER LAURIE: Mr. Blees, these
10 are special PIER rules. Not rules to be
11 promulgated, but rules that are already in place,
12 that allows certain characteristics in the PIER
13 program to go sole source.

14 MR. BLEES: Right.

15 COMMISSIONER LAURIE: So these are legal
16 sole source contracts.

17 MR. BLEES: Yeah. There's a -- as I
18 said, there's a specific statute that deals with
19 PIER contracts that allows sole source contracts
20 under certain circumstances. And this apparently
21 qualifies as being one of those circumstances.

22 CHAIRMAN KEESE: And it's exempt from
23 the Governor's Executive Order, as such?

24 MR. BLEES: I believe they are, yes.

25 CHAIRMAN KEESE: Okay. With that

1 understanding. Do we have any other questions on
2 this?

3 COMMISSIONER PERNELL: I just have one.
4 How long is the contract for?

5 MS. KELLY: The contract we expect to be
6 completed in six months to a year. But the term
7 of the contract is actually two years.

8 COMMISSIONER PERNELL: And if it get
9 completed early, do we save any money or --

10 MS. KELLY: No, no. We set a longer
11 term in case -- we were going to be dealing with
12 some data here, and so we set a longer term just
13 so in case we didn't have to come back and ask for
14 any more money. So this is the limit of the
15 amount of money that is being required for this
16 contract, whether it's six months or two years.

17 COMMISSIONER PERNELL: Well, we hope
18 it's shorter. Mr. Chairman, just one comment on
19 this. I think this is very timely, given the
20 report that the Committee did on the distributed
21 generation and so the more information we get, the
22 more facts we'll have to put forward to have a
23 vibrant distributed generation mix in California.

24 CHAIRMAN KEESE: Thank you. Any other
25 comments?

1 Do I have a motion?

2 COMMISSIONER ROSENFELD: I move the
3 contract.

4 CHAIRMAN KEESE: Motion, Commissioner
5 Rosenfeld.

6 COMMISSIONER LAURIE: Second, Mr. --

7 CHAIRMAN KEESE: Second, Commissioner
8 Laurie.

9 COMMISSIONER LAURIE: -- Chairman, with
10 the note that I'm really excited about the
11 potential of what this will do to the efficiency
12 with the transmission distribution system that
13 will not only create efficiencies and reliability,
14 but will also provide conservation opportunities.

15 I can easily see where in place of
16 adding a 500 megawatt power plant, we put in 300
17 megawatts of distributed generation, and you're
18 more efficient, you're more reliable, and you save
19 resources, a tremendous potential with these kinds
20 of technologies.

21 COMMISSIONER ROSENFELD: Amen.

22 CHAIRMAN KEESE: Any public comment?

23 MR. HAWKINS: I'm Dave Hawkins from
24 California ISO, and the Manager of Special
25 Projects Engineering. And I wanted to speak in

1 support of this particular proposal.

2 Usually when we study the electric grid
3 we study the transmission system or the
4 distribution system. We rarely ever have the
5 opportunity to do a combined study. This project
6 breaks new ground in the sense of putting together
7 a new powerful tool for doing that kind of
8 combined study. It also helps us get some real
9 facts about what distributed generation type
10 projects are going to do to the transmission grid,
11 which, of course, is our priority interest.

12 So therefore we're very supportive and
13 we think the project is solid. It's in the
14 optimum technology tools as being proposed to use
15 is a unique tool that we've had very minimal
16 experience with before. And so this will be a
17 very good test of that tool for the technology.

18 CHAIRMAN KEESE: Thank you.

19 COMMISSIONER PERNELL: Thank you.

20 CHAIRMAN KEESE: All in favor?

21 (Ayes.)

22 CHAIRMAN KEESE: Opposed? Adopted four
23 to nothing.

24 MS. KELLY: Thank you.

25 CHAIRMAN KEESE: Thank you. Item 11,

1 Center for Aquatic Biology and Aquaculture.
2 Possible approval of contract 500-01-044 for
3 \$987,024 to improve analytical tools to achieve
4 optimum flows for maximum hydro generation while
5 protecting fisheries and enhancing recreational
6 opportunities. In other words, juggling.

7 MR. O'HAGAN: Yes. Good morning, --

8 CHAIRMAN KEESE: Good morning.

9 MR. O'HAGAN: -- Mr. Chairman and
10 Commissioners. The proposed contract would be
11 with the California --

12 CHAIRMAN KEESE: For the record?

13 MR. O'HAGAN: Oh, I'm sorry. My name is
14 Joe O'Hagan. I'm with the PIER environmental
15 area. The proposed project would be with the
16 Center for Aquatic Biology and AquaCulture at UC
17 Davis. It's a research center consisting of 30
18 researchers on campus, as well as two research
19 laboratories.

20 The thrust of the proposed project is to
21 look at biological impacts associated with pulse
22 flows from hydro power facilities within the
23 state. As you know, the majority of hydro power
24 facilities in California are associated with dams,
25 which allow them the flexibility to store water

1 and then quickly discharge water to generate
2 electricity in a load-following manner.

3 And that's beyond the megawatts that
4 hydro power produces in this state, this load-
5 following ability is an important aspect of the
6 state's electricity system.

7 The pulse flow concern came out of PIER
8 environmental area had prepared a research plan
9 that was published last year that identified that
10 this was an area of high concern about aquatic
11 impacts from hydroelectric generation.

12 Also the PIER environmental areas had
13 two interagency meetings with state and federal
14 agencies where this issue was also given a high
15 priority.

16 The concern over pulse flows is that the
17 flow downstream from a hydro facility can sharply
18 increase, maybe 5, 6 or even greater, times in a
19 short matter of hours. So you get this quick
20 increase in flows and volume and velocity, as well
21 as then a sharp decrease in velocity and volume,
22 as well.

23 And the concern now is what is the
24 effect of these on aquatic species, especially
25 those that are threatened and endangered or

1 potentially going to be listed as threatened and
2 endangered.

3 Historically the concern had always been
4 to look at the low flow periods to make sure that
5 there's sufficient water during those times to
6 support your fisheries. But now the concern has
7 also come up that such flows could cause what we
8 call drift or -- organisms that support salmon,
9 let's say, coho salmon, flushing them well
10 downstream, possibly affecting those fish
11 populations where you're washing out the smaller
12 fry and only the larger adults can withstand the
13 flow.

14 And one of the major issues right now
15 facing the hydro industry is that the yellow-
16 legged frog, there's a foothill and a mountain
17 species, are potentially going to be listed by the
18 federal government as threatened and/or endangered
19 species.

20 These frog species lay their egg masses
21 in stream channels above the water level, you
22 know, where they're partially wet at times, which
23 would normally occur after the spring runoff
24 peaks. But now with hydro peaking flows these egg
25 masses may be washed away.

1 So there's a real concern over this
2 species in particular, and possible other species.
3 Since this area hasn't received a whole lot of
4 attention, there's a concern that we develop new
5 protocols and analytical tools, or at least to
6 establish that existing approaches are adequate to
7 analyze these impacts.

8 CHAIRMAN KEESE: Thank you. Living in
9 an area where courts have ruled, and they now run
10 the rivers for the kayakers on the weekends with
11 multiple flows --

12 MR. O'HAGAN: Yes.

13 CHAIRMAN KEESE: -- it is an area that I
14 believe the time has definitely come to look at
15 this issue.

16 Do we have any --

17 COMMISSIONER PERNELL: I have a
18 question.

19 CHAIRMAN KEESE: Commissioner Pernell.

20 COMMISSIONER PERNELL: Will this project
21 artificially increase the flow and decrease the
22 flow for the study, or do it wait until it happen
23 naturally on a yearly cycle?

24 MR. O'HAGAN: The intent is to cooperate
25 with the utilities. Some of the recent FERC

1 relicensing of hydro power facilities have
2 actually increased the amount of water that they
3 could discharge as a pulse flow.

4 There's also been some requirements, as
5 Commissioner Keese mentioned, to provide flows for
6 whitewater rafting on the weekend. So the thought
7 is to coordinate with the utilities to know when
8 these flows will be occurring so, you know, for
9 field research, that the staff could be in
10 position.

11 COMMISSIONER PERNELL: Okay.

12 CHAIRMAN KEESE: Thank you. Public
13 comment? Do I have a motion?

14 COMMISSIONER ROSENFELD: I move the
15 contract.

16 CHAIRMAN KEESE: Motion, --

17 COMMISSIONER LAURIE: Second.

18 CHAIRMAN KEESE: -- Commissioner
19 Rosenfeld. Second, Commissioner Laurie.

20 All in favor?

21 (Ayes.)

22 CHAIRMAN KEESE: Opposed? Adopted four
23 to nothing. Thank you.

24 MR. O'HAGAN: Thank you very much.

25 CHAIRMAN KEESE: Item 12, Solar

1 Turbines, Inc. Possible approval of contract 500-
2 01-045 for \$2,994,884 to integrate the catalytic
3 combustion technology into the Taurus 70
4 industrial gas turbine. A fully operational
5 catalytic combustion system will be designed,
6 procured and evaluated at the contractor's
7 facility.

8 MR. BATHAM: Good morning,
9 Commissioners, my name is Michael --

10 CHAIRMAN KEESE: Can you hold for
11 just -- I just want to clear the record.

12 Mr. Blees, that item 11 did not fall
13 under our contracting --

14 MR. BLEES: Interagency agreement.

15 CHAIRMAN KEESE: Interagency agreement,
16 thank you.

17 I'm sorry, we're going to try to keep
18 the record clear on that issue. Item 12.

19 MR. BATHAM: Good morning, Michael
20 Batham, the team lead for the environmental --
21 advanced generation portion of the PIER program.

22 The contract before you was based upon a
23 competitive solicitation issued last year; it's
24 one of nine projects approved by the R&D Committee
25 for funding. This is project number eight of

1 those nine.

2 It's going to be with Solar Turbines,
3 Incorporated. And it's part of a larger research
4 effort of which the Commission is funding two legs
5 of a three-leg research program.

6 This particular one is looking at the
7 catalytic technology operating on a solar turbine.
8 Solar is a manufacturer of industrial gas turbines
9 frequently used in distributed generation
10 applications. This particular turbine is 7.5
11 megawatts. It'll use the same technology that was
12 discussed earlier in the 1.4 megawatt Kawasaki
13 machine. But now we're going into a larger
14 machine. We're also looking at lower emissions.
15 This one's for 2.5 ppm versus the less than 3 ppm
16 for the earlier contract.

17 I said it's part of a broader research
18 program that's being done with Solar Turbines.
19 The Department of Energy is also funding a
20 technology that is a competing technology for low
21 NOx combustion.

22 We're also funding the third level of
23 the technology development through an Alzada
24 Company technology, also with Solar Turbines,
25 which is a contract that's currently in place.

1 One of the requirements of this contract
2 is for Solar Turbines to what we call down-select
3 from the current three options that they're
4 looking at, to at least two, and hopefully one
5 option that they are then going to install in a
6 commercial machine in a timeframe that is yet to
7 be determined. But that will be available for
8 distributed generation, again consistent with the
9 1298 requirements.

10 With me is Dr. John Beyer, who can
11 answer any technical questions you may have on
12 this project.

13 CHAIRMAN KEESE: Thank you. Do we have
14 any questions up here?

15 COMMISSIONER PERNELL: How long is the
16 contract for?

17 MR. BATHAM: Two years and seven months.

18 COMMISSIONER PERNELL: And will they
19 also study the -- was it the Kawasaki other gas-
20 fired cogen? What number was that?

21 MR. BATHAM: No, it's unrelated --

22 COMMISSIONER PERNELL: Number 5.

23 MR. BATHAM: Yes. It's unrelated in
24 terms of two different manufacturers. Kawasaki is
25 a manufacturer of small gas turbines; Solar is a

1 manufacturer of small to medium size industrial
2 gas turbines.

3 They are using the same combustion
4 technology. In the case of Kawasaki they've
5 already selected the Catalytica is going to be the
6 supplier of that combustion technology.

7 In the case of Solar Turbines, they have
8 not yet selected exactly who the manufacturer of
9 the low NOx combustion technology is going to be.
10 Catalytica is one of three that's currently being
11 evaluated by the Solar Turbine Company.

12 The goal here is to develop an
13 industrial gas turbine for distributed
14 applications without the use of selective
15 catalytic reduction. So there'll be no after-
16 treatment regardless of which technology is
17 ultimately selected.

18 CHAIRMAN KEESE: Thank you. Do I have a
19 motion?

20 COMMISSIONER ROSENFELD: I so move.

21 CHAIRMAN KEESE: Motion, Commissioner
22 Rosenfeld.

23 COMMISSIONER LAURIE: Second.

24 CHAIRMAN KEESE: Second, Commissioner
25 Laurie.

1 All in favor?

2 (Ayes.)

3 CHAIRMAN KEESE: Opposed? Adopted four
4 to nothing. Thank you.

5 Item 13, University of California Office
6 of the President, CIEE. Possible approval of
7 contract 500-01-043 for \$3 million to develop
8 enabling technologies for establishing a real-time
9 demand response infrastructure in California. Ms.
10 ten Hope.

11 MS. TEN HOPE: Good morning; Laurie ten
12 Hope. I'm the team lead for PIER's energy system
13 integration and I have with me our program manager
14 for demand response, Ron Hofmann.

15 We are seeking approval for a \$3 million
16 project with the University of California to
17 develop demand response enabling technologies.

18 The initial projects out of this
19 contract will leverage work that UC Berkeley is
20 already doing in communication, information and
21 control technologies, funded at this point by
22 other agencies, primarily the Department of
23 Defense.

24 We have four objectives in this
25 contract. The first is to develop demand response

1 related sensors and actuators. The second is to
2 develop open system mesh architecture and
3 communication systems. The third is to develop
4 real time, self organizing, distributed
5 intelligent device networks. And the fourth is to
6 develop control strategies that will work both
7 with new demand response systems, and existing
8 legacy systems.

9 The goal of this contract is to
10 significantly reduce the system deployment costs
11 of the demand response infrastructure including
12 the capabilities of real time meters, smart
13 thermostats, communication devices and other
14 supporting information and technologies.

15 I can answer any questions you might
16 have on this contract.

17 CHAIRMAN KEESE: Thank you. Before we
18 get to there, Mr. Blees, this --

19 MS. TEN HOPE: This is an interagency.

20 CHAIRMAN KEESE: Interagency.

21 MR. BLEES: Yes.

22 CHAIRMAN KEESE: And therefore does not
23 apply. Thank you.

24 I actually have received a very thorough
25 briefing on this issue, this item. I'm prepared.

1 Anybody else have some questions?

2 COMMISSIONER ROSENFELD: Mr. Chairman, I
3 think this is one of the more exciting, this
4 contract --

5 CHAIRMAN KEESE: I thought it had all
6 your buzz words in it.

7 (Laughter.)

8 COMMISSIONER PERNELL: That's why I have
9 no questions.

10 CHAIRMAN KEESE: Do I have a motion?

11 COMMISSIONER ROSENFELD: I so move.

12 COMMISSIONER PERNELL: Second.

13 CHAIRMAN KEESE: Motion, Commissioner
14 Rosenfeld. Second, Commissioner Pernell.

15 All in favor?

16 (Ayes.)

17 CHAIRMAN KEESE: Opposed? Adopted four
18 to nothing.

19 Item 14 is moved over to the 6/26
20 meeting, and, Mr. White, glad you could join us.
21 And we'll stay right on schedule.

22 Item 15, Advanced Technology and
23 Efficient Gasoline Fuel Vehicle Incentive Program.

24 Item a, American Honda Motor Company.
25 Possible approval of contract 600-01-063,

1 amendment 1, for \$500,000 contract.

2 Item b, Ford Motor Company. Possible
3 approval of contract 600-01-062, amendment 1, for
4 \$500,000 contract.

5 Item c, General Motors. Possible
6 approval of contract 600-01-093 for \$500,000 to
7 provide incentives for efficient gasoline fuel and
8 alternative fuel vehicles.

9 And item d, Daimler Chrysler Motor
10 Company. Possible approval of contract 600-01-094
11 for \$500,000 to provide incentives for efficient
12 gasoline fuel and alternative fuel vehicles.

13 Good morning.

14 MS. SALAZAR: Good morning, Mr. Chairman
15 and Commissioners. I'm Irene Salazar, and next to
16 me is David Ashuckian. We are staff in the
17 transportation technology office. I am the
18 contract manager for the efficient vehicle
19 incentive program.

20 And the purpose of this amendment
21 request is to augment existing contracts with
22 American Honda and Ford Motor Company by \$500,000
23 each from the Energy Commission's PVEA fund. And
24 up to \$500,000 each in additional funding from air
25 districts.

1 The amended contract total will be up to
2 \$3 million each.

3 And to approve new contracts with
4 General Motors and Daimler Chrysler contracts for
5 the amount of \$500,000 each.

6 The automakers will provide incentives
7 for efficient fuel and alternative fuel vehicles
8 and information to private individual, fleets and
9 dealers. Up to 1000 incentives will be provided
10 for efficient fuel vehicles; and up to 3000 will
11 be provided for alternative fuel vehicles to
12 reduce the price of these vehicles.

13 The automakers will also provide a
14 minimum of \$50 per vehicle of in-kind outreach
15 information and other purchase incentives to
16 dealers. Administration and reimbursement of the
17 incentives will be provided by automakers to
18 insure that vehicle purchasers receive their
19 incentives upon completion of all purchase or
20 lease transaction related to the vehicle.

21 Funding for this program is from PVEA
22 Budget Act of 2000, chapter 52, statute 2000. The
23 term of these contracts is for two years. And the
24 total amount of the program is 4.5 million; the
25 amount of air districts' contribution fund is 1.6

1 million.

2 MR. ASHUCKIAN: I also want to make a
3 few comments about the program. This program was
4 developed --

5 CHAIRMAN KEESE: Mr.?

6 MR. ASHUCKIAN: Dave Ashuckian from
7 the -- technology office.

8 This program was developed with a sense
9 of analysis and research on the automobile market,
10 stakeholder input, advisory groups and meetings.
11 And, in fact, we met before our first contracts
12 were approved in September with the advisory group
13 that included auto manufacturers, environmental
14 community, and other air district stakeholders.

15 They approved the preliminary plans for
16 the program. Our initial contracts with Ford and
17 Honda were approved by the Commission in September
18 without issue. And the program's actually
19 operating right now with Ford and Honda.

20 There has been some concerns raised
21 recently about support for natural gas vehicles,
22 and we are working with the stakeholders on those
23 issues.

24 It is the policy of the state to support
25 alternative fuel vehicles including natural gas.

1 In fact, the Legislature has approved incentives
2 for natural gas vehicles through the use of HOV
3 lanes with only one occupant. There's also tax
4 incentives for natural gas vehicles. And the Air
5 Resources Board has approved multiple ZEV credits
6 for advanced technology vehicles such as natural
7 gas.

8 And natural gas vehicles are seen as a
9 market transformation technology for ultimately
10 moving towards fuel cells.

11 Staff plans to continue to work with the
12 stakeholders and interest groups in refining the
13 program and making modifications as necessary with
14 each model year of vehicles.

15 Staff also plans to evaluate the
16 effectiveness of the program through looking at
17 registration records and seeing how the incentives
18 actually affect sales.

19 We also have provided flexibility in
20 these contracts so that they are providing
21 incentives up to this maximum amount of 1000 per
22 efficient gasoline vehicles, and 3000 for
23 alternative fuel vehicles. And, in fact, we can
24 make adjustments to those with each model year
25 availability and offer essentially different

1 vehicles each year.

2 We do have until June 30th to finalize
3 this last set of funding. And, in fact, if we
4 don't have that approved, -- will actually reduce
5 our ability to make changes and modifications to
6 the different model years, as the program
7 commences.

8 These contracts will go through 2004, so
9 we anticipate providing incentives for different
10 vehicle technologies as they come available till
11 2004 model year.

12 Thank you very much.

13 CHAIRMAN KEESE: Thank you. We have a
14 series of witnesses interested in talking to this
15 issue.

16 Just as I start here, Mr. Spigno and Ms.
17 Casspi, did you intend to speak on this item?

18 MR. SPIGNO: Yes, --

19 CHAIRMAN KEESE: Are you speaking
20 generally or on a specific issue that's up today?

21 MR. SPIGNO: We're actually speaking
22 about funding. We're looking at money that's
23 available.

24 CHAIRMAN KEESE: Okay, that's not this
25 issue. We'll take you up later.

1 Mr. Roland Wong.

2 Oh, is he on the phone? I'm sorry.

3 We'll take Mr. White. John, were you going to
4 speak on this issue?

5 MR. WHITE: Yes, I was; thank you, sir.

6 The other gentleman here was --

7 CHAIRMAN KEESE: I have no card. I have
8 Mr. Wong, who I understand is on the telephone,
9 but we generally --

10 MR. WHITE: I'd be happy to follow
11 Roland.

12 CHAIRMAN KEESE: All right. Sure.
13 Roland.

14 MR. WONG: Am I on the phone now?

15 CHAIRMAN KEESE: Yes, you are.

16 MR. WONG: Okay. My name is Roland
17 Wong. I'm a -- policy analyst with the Natural
18 Resources Defense Council.

19 And we want to put forward our concerns
20 at this point with the program. First of all, we
21 have sent a letter to all the Commissioners
22 outlining our concerns about the current program
23 is headed. And just pull back a little bit. We
24 do appreciate the staff's efforts to put together
25 this program, put together a program that would

1 draft this very important issue of trying to
2 reduce our petroleum dependency in the state.

3 Very critical program, and we'd like to
4 work with the staff and the Commission to make
5 sure that this program is as effective as it could
6 be, because if we don't get good analytics out of
7 this program, we don't get good data, we don't
8 design this program correctly, we are concerned
9 that we may not have an opportunity in the future
10 to something like this, but on a larger scale.

11 So, our main concern of what has
12 happened with the program up to the last time that
13 we really have been informed about it, and Mr.
14 Ashuckian is correct that we have been involved in
15 some of the early stage of the program, where we
16 have forwarded the hybrid incentives, providing
17 money for hybrids, because we see that as having a
18 tremendous potential for market transformation.

19 And that's the key metric, the key goal
20 which we understand this program was designed for,
21 was it would incentivize advanced technology
22 vehicles that have potential for market
23 transformation. And test the concepts of how
24 incentives might influence that market.

25 However, we don't believe that the CNG

1 vehicle, again this is the area where we may
2 disagree with Mr. Ashuckian, have tremendous
3 market transformation potential. We don't see
4 that. And I have not, myself, heard a compelling
5 argument for how natural gas vehicles can have
6 significant penetration into the passenger vehicle
7 market, and therefore have significant impact on
8 reducing petroleum dependency.

9 So, our concern is that the program now
10 looks more like a natural gas dependent program,
11 and a natural gas dependent program for shuttle
12 vans. Again, we have nothing -- NRDC is
13 supportive of natural gas technology, supportive
14 of shuttle vans, primarily for local air pollution
15 reduction. And we don't see it, though, as having
16 a tremendous potential for market transformation.

17 So the question really before us today,
18 I think, is whether this program, the real
19 intentions of this program, which is to try to
20 develop a pilot program for market transformation
21 of passenger vehicles that really meet that goal.
22 Currently, if a large masses of money are going to
23 vehicles which, I think we all have to admit,
24 shuttle vans are a niche market, where we would
25 like to see this item held over for further

1 discussion.

2 The -- have to look at further
3 discussion with Commissioners and staff about how
4 this program might better suit those needs.

5 CHAIRMAN KEESE: You were on during Mr.
6 Ashuckian's comments?

7 MR. WONG: Yes, I was. Yes.

8 CHAIRMAN KEESE: Essentially what the
9 Commission has been advised is if we don't handle
10 this today, this money is lost, this program is
11 lost. If the staff and the Committee that dealt
12 with it believe they have written in flexibility
13 and involvement of a stakeholders group to guide
14 the program over its three-year term so that the
15 goals -- I'm not sure that your goals and staff's
16 goals aren't identical. Although where starting
17 is a place that you have a disagreement with.

18 Mr. Ashuckian.

19 MR. ASHUCKIAN: Yeah, I'd just like to
20 reiterate that we do have the ability, through
21 these contracts, to make modifications to which
22 types of vehicles, which types of technologies are
23 providing incentives for.

24 So, by your actions today we are not
25 casting in stone the fact that CNG vehicles would

1 get a certain percentage of the full funding
2 available versus hybrids. And, in fact, we can
3 determine by which models are available and which
4 vehicles are offered, what vehicles do get
5 incentives each model year.

6 So, we do have that ability; and would
7 like to work with the stakeholders to, in fact,
8 you know, makes those changes to the program. But
9 we can't do anything without the contracts in
10 place. The manufacturers are helping us to
11 administer the program.

12 COMMISSIONER ROSENFELD: I have a
13 question for you.

14 CHAIRMAN KEESE: Commissioner Rosenfeld.

15 COMMISSIONER ROSENFELD: Roland Wong is,
16 to my mind, rather convincing. That is, I was
17 surprised when you gave the ratios for natural gas
18 compared to gasoline.

19 Can you tell us, for about one minute,
20 how you arrived at that apportioning?

21 MR. ASHUCKIAN: We initially looked at
22 the ability of different technologies to displace
23 gasoline. And, in fact, in our analysis we show
24 that an alternative fuel vehicle such as the
25 natural gas models available today displace about

1 three times as much gasoline as hybrids do.

2 And so, in fact, we established our
3 incentive level at a ratio of three-to-one, in the
4 sense that people who are given a hybrid incentive
5 about one-third of what the natural gas vehicle
6 would receive.

7 In fact, we went with this plan to our
8 stakeholders and air districts, and they, in fact,
9 endorsed our ideas. And, in fact, have joined us
10 in contributing to the funding for the program.

11 So that's how we essentially arrived at
12 this final number. We looked at the availability
13 and the convenience of the fueling infrastructure.
14 And we also held market group studies surveys to
15 evaluate what people's interests were in the
16 different technologies.

17 But, it's essentially established by
18 one, how much petroleum they do reduce by the
19 different technologies, as well as what we feel
20 are some of the hurdles, as well as the price of
21 the vehicle.

22 The alternative fuel vehicles have
23 higher incremental costs, as well as additional
24 utility issues with the fueling infrastructure.

25 CHAIRMAN KEESE: And let me clarify.

1 You indicated this was run by the stakeholders
2 group? Evidently not all the stakeholders --

3 COMMISSIONER ROSENFELD: Right.

4 MR. ASHUCKIAN: Well, actually Roland
5 and NRDC was a participant in our early meetings.
6 And, again, we basically have adopted, through
7 these contracts, what was agreed upon at our
8 initial advisory group meetings. We haven't
9 changed since that initial program.

10 MR. WONG: There may be --

11 CHAIRMAN KEESE: Mr. Wong.

12 MR. WONG: Dave, sorry. Yeah, there may
13 be some confusion. I guess I was never fully
14 aware of any kind of formal advisory committee
15 approval process. There was briefings, but
16 certainly I don't think that that is equivalent to
17 acquiescence -- of the program.

18 You also mentioned that, I think there
19 is an issue about the petroleum, how we measure
20 petroleum displaced. And by vehicle basis, I'm
21 sure Mr. Ashuckian's calculations, I have no
22 qualms with. However, we're talking about market
23 transformation, you also have to factor in the
24 potential for these vehicles to displace in a
25 fleetwide basis, petroleum.

1 But, I want to make sure that's
2 clarified and from my testimony here is there's
3 issues both with the incentive levels, but also
4 just within the portfolio mix of all the
5 incentives that are going out the door, the
6 question is, in bulk and an aggregate, is it the
7 right mix, or is it -- transformation principle,
8 given the limitations of natural gas and the vast
9 potential for hybrids. And that's what we're
10 questioning at this point.

11 CHAIRMAN KEESE: Let me ask Mr.
12 Ashuckian, did you indicate that the three-to-one
13 ratio is not set in concrete?

14 MR. ASHUCKIAN: These contracts allow
15 incentives up to that level. But the actual
16 distribution of incentives to the types of
17 technologies is completely flexible.

18 CHAIRMAN KEESE: Okay, and you indicated
19 that you have a willingness to meet with the
20 stakeholders in --

21 MR. ASHUCKIAN: Absolutely.

22 CHAIRMAN KEESE: -- establishing what
23 those are in the future?

24 MR. ASHUCKIAN: Absolutely.

25 CHAIRMAN KEESE: Mr. Wong, why don't you

1 hang on the line here, because I know we have a
2 couple more. Mr. White.

3 COMMISSIONER PERNELL: I have a
4 question.

5 CHAIRMAN KEESE: Okay, Commissioner
6 Pernell first. Part of your analysis, did you
7 take into account the market transformation of
8 other vehicles such as hybrids?

9 COMMISSIONER ROSENFELD: Is that a
10 question of Ashuckian?

11 COMMISSIONER PERNELL: Yes.

12 MR. ASHUCKIAN: Well, yes, we looked at
13 the availability of the products. We looked at
14 the efforts that manufacturers and other media was
15 presenting on the information on the vehicles.
16 And so we took all those into account.

17 In fact, we wanted to capitalize on the
18 fact that Honda is one of the first manufacturers
19 to produce a natural gas vehicle primarily focused
20 towards the consumer, not towards the fleet
21 market.

22 And so we want to capitalize on these
23 opportunities, to in fact, start to build a market
24 for these technologies.

25 COMMISSIONER PERNELL: All right, now

1 how long have we been incentivizing CNG vehicles?

2 MR. ASHUCKIAN: The Energy Commission
3 has had actually very little history in providing
4 incentives to natural gas vehicles that I am aware
5 of.

6 The air districts have been doing it in
7 the past, primarily for air quality reasons.
8 Again, a lot of the models available have been
9 focused on fleet vehicles, and not to the
10 consumers.

11 In fact, we have tailored our program to
12 exclude what we call E pact vehicles; these are
13 vehicles that many state and government fleets
14 have to purchase in order to meet other
15 requirements. Those vehicles are not eligible for
16 our program because of the requirements that
17 others put on them.

18 So we are really trying to target fleets
19 and/or consumers that don't have to purchase a
20 natural gas vehicle for any other reason.

21 COMMISSIONER PERNELL: I'll hold my
22 questions for --

23 CHAIRMAN KEESE: Okay. Mr. White, third
24 try. We'll let you get there this time.

25 MR. WHITE: Thank you, Mr. Chairman and

1 Commissioners. I'm John White; I'm Executive
2 Director of the Center for Energy Efficiency and
3 Renewable Technologies, and I'm also here today
4 representing the Sierra Club of California.

5 I think that as I sat here listening to
6 the discussion, the staff presentation, I think
7 what you need to do is focus a little more sharply
8 on where we're going and where we've been. And I
9 think that this program is -- I didn't participate
10 in the stakeholder process -- get to this level of
11 detail. But I think we're at a moment of time in
12 the debate and in the evolution of policy in the
13 area of transportation and efficiency that it's
14 enormously important to think carefully about even
15 so small a matter as this amount of money for this
16 purpose.

17 Because I think we need to be about our
18 business here with a sharp purpose. And not just
19 sort of a business-as-usual purpose. This program
20 has sort of evolved away from where it was
21 originally headed. It was designed, as I recall,
22 from talking to people, I don't know if we had the
23 funding source breakdown, it would be interesting
24 to me to know where the money is actually coming
25 from for this program, whether it's PVEA money, or

1 if it's Air Resources Board money.

2 But I know the air districts have a
3 match. The air districts have a big interested in
4 alternative fuels; that's a legacy of a lot of
5 work that people have done over the years.

6 But, I think as Roland implied, natural
7 gas vehicles aren't taking us anywhere. And
8 essentially a subsidy to manufacturers to sell
9 vehicles in a market for which probably isn't --
10 wouldn't be a strategic question for us. Because
11 the benefits on petroleum displacement don't lead
12 to benefits except with the vehicles, themselves.
13 There isn't any leverage going on here.

14 And the air quality benefits between
15 natural gas vehicles and gasoline vehicles is
16 thinner than for natural gas vehicles and diesels.
17 So the place that I think natural gas belongs
18 mostly is in diesel. The heavy duty sector, where
19 you've got a big bang for the buck, and some
20 experience with Raley's and RT, there's some
21 movement afoot, you know. And those people have
22 separate funding sources at least for the moment;
23 we've had so many in the fund for that. We're
24 hopeful of getting some more money.

25 But this money was originally supposed

1 to fill the gap between the money available for
2 ZEVs, electric vehicles, and hybrids, because
3 hybrids haven't gotten the same incentives as
4 electric vehicles. Because they're not as clean,
5 and yet they have compelling benefits on market
6 transformation, as we see during the NBA playoffs.
7 We saw Honda advertise, introducing the Civic.
8 Unfortunately, we had a lot of Avalanches and Ford
9 150s, the rest of the class.

10 But at least there was a window there
11 where we had Honda introducing the Civic to a mass
12 audience. Okay. Which means, market
13 transformation, okay? That's what we're talking
14 about. We're talking about going to the showroom
15 instead of from the sideshow. From the auto show
16 to the road, okay?

17 And so, that was the original purpose we
18 recognized, I believe, the Air Resources Board's
19 original interest that in the revisions to the ZEV
20 standard, we included hybrids in the advanced
21 technology vehicle. But we didn't have any money
22 to help them, okay. As we did have for ZEVs.

23 So this money, in my mind, ought to be
24 going only to hybrids. And you ought to approve
25 or amend the contracts today for Honda and Ford.

1 GM and Daimler Chrysler are not in the ballpark on
2 hybrids. So if you think you're getting hybrids
3 from them, don't bother signing the contract,
4 because they ain't got any. And no plans for them
5 that I can see.

6 Whereas, I think what you want to do
7 with this money is say, this money is going to
8 hybrids, because that's the niche that's needed to
9 be filled incentive-wise. Only have so much
10 money. I guarantee you you ain't getting any more
11 for awhile yet. Unless we get some funding
12 sources. This is money that I don't want to see
13 you lose, but neither do I want to see you
14 allocate in a way that isn't strategic.

15 Because even if it's a million dollars,
16 and even it's a few that we'd be glad to have
17 people have, that isn't leading us anywhere. And
18 right now we need to focus on the things that can
19 take us to a much larger volume. And that means
20 hybrids.

21 So we would urge you today to basically,
22 I don't know procedurally what you have to do,
23 basically do not move forward on Daimler Chrysler
24 and the General Motors contracts. And take that
25 money, if you can, and reallocate it to Honda and

1 Ford, and let them know. We got more money for
2 you, so let's get more vehicles. And let's get
3 more advertising on the television; let's let
4 people know they can call up the Energy Commission
5 and get some money to help buy them.

6 I just bought a Honda Civic, and there
7 was no phone number for me to call about getting
8 any money. And knowing the staff they won't make
9 it retroactive.

10 (Laughter.)

11 MR. WHITE: But at least for my friends
12 and neighbors, I'd like to be able to say, I got
13 the hybrid. Go over to the CEC and get your \$1000
14 and go buy one. And let's get the volume of
15 hybrids pumped up, and let's tell Ford, don't
16 delay that Escape. That's the Ford platform is a
17 very significant thing. The first SUV hybrid of
18 its kind.

19 And we ought to be saying we got 500,000
20 and 500,000 more. That would be my
21 recommendation, Mr. Chairman. Thank you for your
22 attention.

23 CHAIRMAN KEESE: Thank you.

24 MR. TURNER: Good morning, Mr. Chairman
25 and Commissioners, Sean Turner with the California

1 Natural Gas Vehicle Coalition.

2 Actually would mainly like to thank the
3 Commissioners and staff for being able to
4 participate on the technical advisory committee
5 that developed this program. And Dave's already
6 said most of the things about it, but I believe it
7 was a balanced committee that had environmental
8 representation, had automaker representation, had
9 industry representation, and air district
10 representation.

11 And I believe these proposed contracts
12 are consistent with the original goals of that
13 program. And also account for one of the auto
14 manufacturers voluntarily choosing not to
15 participate in the hybrid portion of this program.
16 I think we need to realize that.

17 COMMISSIONER PERNELL: Why do you think
18 that was?

19 MR TURNER: I think there's probably a
20 number of reasons. I think we have to ask Toyota
21 directly on that. But I think there is, you know,
22 some work on their behalf that they need to do,
23 that they might not want to do. And I think, to a
24 ceratin extent, they probably don't think they
25 need the incentive dollars to get people to buy

1 these.

2 And when you see the number of sales
3 that are going out, they can't supply the demand
4 that's out there right now. I don't think they
5 felt like they needed the incentive to get these
6 things on the road.

7 That's my personal opinion. That's not
8 Toyota's opinion. I'm just saying I think -- at
9 least, I think both of those are at least some of
10 the reasons that they would have chosen to do
11 that.

12 Moreover, I'd like to re-emphasize that
13 the goal of this program, as we keep talking
14 about, is transforming the market. And to my way
15 of thinking, transforming means changing, not
16 continuing to use the same gasoline importation
17 and fueling network that we already have. Again,
18 my own opinion there.

19 So, I believe any delay in contract
20 would be a disservice to the market transformation
21 that our state and country badly need. And
22 potentially would slow down the development of the
23 natural gas fueling infrastructure that's out
24 there that many experts believe is a critical link
25 to the future fuel cell fueling infrastructure.

1 So, I would vote to pass the contracts
2 as proposed.

3 COMMISSIONER PERNELL: Question, Mr.
4 Chairman.

5 CHAIRMAN KEESE: Commissioner Pernell.

6 COMMISSIONER PERNELL: How long has --
7 you're a member of the Natural Gas Coalition? How
8 long has, and just a ballpark figure, have natural
9 gas vehicles been around in terms of various
10 organizations and agencies trying to transform the
11 market?

12 MR TURNER: I think on the light duty
13 side there's been a very limited push into the
14 light duty market because the major push has been
15 in the heavy duty sector.

16 It has, I think, as we all know, there
17 is limited fueling infrastructure out there. And
18 one of the real positive, or real possible ways to
19 increase the amount of infrastructure out there is
20 to be fueling the larger, heavy duty fleets. And
21 then the incremental cost for fueling additional
22 public consumer vehicles is relatively minor.

23 And so the push in years past has been
24 primarily on the heavy duty side. I would say
25 that the push into the light duty market has been,

1 towards natural gas vehicles, at least, has been
2 relatively minor.

3 I mean we've had a handful of vehicles
4 on the market here in the U.S., light duty,
5 natural gas, for about eight years now, really
6 just the last three or four of those have there
7 been a large number of models available for people
8 to invest in.

9 So I'd say the push in the light duty
10 market has been relatively minor. And it's
11 increasing. We were talking about earlier, Honda
12 with its Civic has made, one of the first
13 companies to really make a push into the consumer
14 market for natural gas vehicles. Matter of fact,
15 I drive one of those, myself.

16 CHAIRMAN KEESE: Thank you.

17 COMMISSIONER ROSENFELD: First of all,
18 just to Mr. Turner, I consider myself to be a
19 champion of market transformation, but I don't
20 quite accept your logic that just to switch from
21 gasoline to natural gas is the only
22 transformation.

23 We are, by golly, discussing the
24 difference between 28 mile per gallon cars and 50
25 mile per gallon cars, if we go in for the hybrids.

1 And that's a pretty damn big market
2 transformation, too. So, just like to put it on
3 equal basis.

4 MR TURNER: Mr. Chairman, if I could
5 respond?

6 COMMISSIONER ROSENFELD: Go ahead.

7 CHAIRMAN KEESE: Yes.

8 MR TURNER: I agree with you. I don't
9 feel like, and I don't think anyone in the natural
10 gas vehicle industry feels like we're the silver
11 bullet. And I don't feel like there is a silver
12 bullet.

13 I feel like we're one of the solutions
14 that needs to be implemented to get us from here
15 to where we're trying to get to. And I agree that
16 we're not going to transform the market on our
17 own. There have to be many steps.

18 But I would hate to see light duty
19 natural gas vehicles not be part of that -- not be
20 one of those solutions.

21 COMMISSIONER ROSENFELD: Well, I'm only
22 going to argue that there should be some more good
23 faith discussions between our staff and the
24 stakeholders, and you're a stakeholder. And I'm
25 sure you'll make that point.

1 And then just sort of to back up John
2 White's point, again repeating my phrase that I
3 consider myself to be a champion of market
4 transformation, I didn't put my money where my
5 mouth is, like John is, and actually just actually
6 go out and buy a Honda.

7 But I did want a more efficient car.
8 And it goes to the Bay Area a few times a week.
9 And has to go to Berkeley or San Francisco. And
10 frankly, the market transformation possibilities
11 for the Prius, which I have, thanks to the state,
12 are wonderful.

13 And it never even occurred to me to
14 think about asking for a gas CNG car. So, I just
15 think that there are huge market transformation
16 possibilities for these hybrids. And we'd better
17 darn well take that into consideration.

18 I've said my piece.

19 CHAIRMAN KEESE: Mr. Turner, we heard
20 Mr. Ashuckian suggest that flexibility was drawn
21 into the program. And that in light of the
22 comments that have been raised here, that they
23 would call together the stakeholders again to
24 recommend it. You're not opposed to changing to
25 incentivize?

1 MR TURNER: Absolutely not. And I've
2 been given permission to even quote here, American
3 Honda is one of my board members. And they, you
4 know, they made the comment directly to me that
5 they particularly don't like being lumped in as
6 all the auto manufacturers, because in their case
7 they make both hybrids and natural gas vehicles
8 under this program.

9 And they feel that they already know
10 there's more money -- programs going to go to
11 hybrids. And so, they're, you know, they're
12 willing to, and we're willing to discuss
13 flexibility. I mean that has been a hallmark of
14 the program from the beginning.

15 The fact that, you know, the other
16 hybrid manufacturers pulled out of the program,
17 and the others aren't manufacturing hybrids at the
18 moment, it is difficult to discuss flexibility
19 when the only manufacturer that's participating
20 that has both is already saying they're going to
21 be funding additional hybrids over natural gas
22 vehicles.

23 But I'd absolutely be in favor of any
24 flexibility the program has built in.

25 CHAIRMAN KEESE: Mr. White.

1 MR. WHITE: John White, again. The
2 gentleman's conversation and Commissioner
3 Rosenfeld's question reminded me that the Honda
4 natural gas vehicle, I believe, qualifies, as does
5 the hybrid, for ARB advanced technology
6 designation. They count, I believe, up to a
7 certain amount towards the ZEV. So they're more
8 like the hybrid.

9 The Honda CNG vehicle, because of its
10 emissions performance, is more like the hybrid
11 than the van, so I don't object to Honda, if there
12 was a contract for Honda, to get CNG vehicles.
13 Because, in fact, Honda does think that there is a
14 link between CNG infrastructure in the home and
15 potentially fuel cells.

16 But I don't see the linkage between vans
17 and fuel cells. That's just -- that's a very --
18 that's a long way around the barn to go for that.

19 So, my focus should be that I don't
20 think Daimler Chrysler and General Motors have
21 demonstrated the eligibility to meet the same
22 goals as the other. And if you want to look at
23 natural gas passenger car vehicles, which are, I
24 think, maybe a little more market transformation
25 advanced, that would be fine.

1 But I think really the objection we have
2 is to Daimler Chrysler and General Motors.

3 CHAIRMAN KEESE: I understand, Mr.
4 White. The problem I have is a timing problem. I
5 don't know how we can do Committee work here in
6 front of the Commission. That's always a
7 difficult situation.

8 We have a very strong letter of support,
9 as I'm sure you're aware, from the South Coast
10 District asking us to please, please, please adopt
11 this today, as it is.

12 I guess I am convinced, and I will urge,
13 if we adopt this, immediate calling together of
14 the stakeholders and bringing in the three parties
15 who have filed here, NRDC, yourself, and the
16 third, i'm sorry, the third one's --

17 COMMISSIONER PERNELL: Natural Gas.

18 COMMISSIONER ROSENFELD: California
19 Natural Gas.

20 CHAIRMAN KEESE: Well, no, there were
21 three that were on the -- the Planning
22 Conservation League, I'm sorry, that were on the
23 other side.

24 Bringing them in and seeing how far you
25 could go in meeting that -- exhibiting the

1 flexibility that staff has indicated they tried to
2 write into the program. And that they thought the
3 stakeholders had bought in on. And it's
4 unfortunate that over the last year some of the
5 stakeholders didn't know they were stakeholders
6 and signed off on this program.

7 But it's been running for a long
8 time. --

9 MR TURNER: Mr. Chairman, if I may, the
10 debate has been sharpened a little bit this
11 year, --

12 CHAIRMAN KEESE: Yes.

13 MR TURNER: -- on what our strategy is
14 doing. And, frankly, let me be specific. Daimler
15 Chrysler and General Motors and Ford have been
16 conducting a very significant amount of public
17 education they would call it, about these issues,
18 in the media and with talk shows and with Mr. Cal
19 Worthington and all the fellas.

20 Spending more money on that than they're
21 ever going to match with this program. Okay? So
22 I think to reward that behavior with contracts to
23 produce vehicles we don't really think we need is
24 a mistake.

25 CHAIRMAN KEESE: Thank you. Do we have

1 anybody else in the audience who wants to comment?

2 Do we have any --

3 MR. ASHUCKIAN: Can I just add one more
4 point here. Obviously this is an example of the
5 controversy that we've had to deal with, the
6 staff, of both sides of the issue. We've also had
7 to deal with electric vehicles, such as versus
8 hybrids and natural gas vehicles.

9 What I do want to mention is the fact
10 that I believe we have already seen some market
11 transformation at our level through the air
12 districts.

13 Before this program the air districts
14 have never provided incentives for gasoline fueled
15 vehicles; and through the cooperation of this
16 program they have, in fact, added to their
17 incentive programs to include funding for
18 gasoline, efficient gasoline hybrid vehicles.

19 And so we feel like this program has, in
20 fact, made great strides into expanding the market
21 transformation to gasoline vehicles that provide
22 not only the emission benefits, but energy
23 benefits, as well.

24 CHAIRMAN KEESE: Thank you.

25 COMMISSIONER PERNELL: Mr. Chairman, --

1 CHAIRMAN KEESE: Commissioner Pernell.

2 COMMISSIONER PERNELL: -- back to the
3 dais. First let me say, because this is time
4 sensitive, I think it's the duty of the board to
5 move the item so that we can insure that we have
6 programs available.

7 Secondly, though, you know, when I think
8 of market transformation I think of doing
9 something, or assisting in something that the
10 public will gravitate to, or will certainly
11 purchase.

12 And if you were to do an analysis on how
13 long CNG vehicles have been around, versus how
14 long hybrid vehicles have been around, I mean I
15 think that's a more realistic way to analyze which
16 one would do a market transformation first.

17 I think Commissioner Rosenfeld made a
18 great point in terms of the mileage that you get
19 out of the vehicles. I was a -- and still is --
20 an advocate of electric vehicles. But the fact of
21 the matter is I can't get to the Bay Area and back
22 without pulling off.

23 And everybody, whether you're in a
24 professional organization or a professional or
25 not, time constraints is important to consumers.

1 They want to be able to get to and from in a
2 reasonable amount of time. They want to be able
3 to stop when they need fuel somewhere and get
4 fuel. And I think that's a drawback for CNG.
5 Because of the infrastructure, and the
6 infrastructure costs.

7 So, I would like to, and certainly, you
8 know, I don't want to do Committee work from the
9 Chair or from the podium, either. But there has
10 to be a better allocation of funds between CNG and
11 the hybrids that everybody is -- a lot of the
12 general public is moving towards.

13 So, I'm sensitive of the time. I think
14 we need to move on this. But I also think we need
15 to be realistic about, as John said, you know, I
16 got to think twice when I'm agreeing with
17 everything John is saying, but he makes a good
18 point here that where are we trying to go with
19 this? And who's buying the vehicles?

20 And if they're strictly fleet vehicles,
21 then we should do something for the fleet, but if
22 it's -- we're trying to get this into the
23 marketplace for the average consumer to do market
24 transformation and to change the strategy in terms
25 of who buys the vehicles, then we need to start

1 looking at alternatives.

2 And I would certainly be in favor of
3 getting the stakeholders together, allocating the
4 funds in a more realistic way. I mean I'm not --
5 I'm at a little bit disadvantage because I haven't
6 participated in all of the Committee meetings, but
7 I can tell you that looking at this, and I've had
8 briefings on it, I certainly don't want to put it
9 over. But I do want to insure, not just -- and
10 I'm trying to figure out how to do this, Mr.
11 Chairman. I'd like to have it done in the form of
12 a motion --

13 CHAIRMAN KEESE: Whispers in my ear have
14 indicated that staff -- that this money is lost if
15 it's not handled by June 30th.

16 COMMISSIONER PERNELL: If it's not --

17 CHAIRMAN KEESE: Handled by --

18 COMMISSIONER PERNELL: -- approved by
19 June 30th.

20 CHAIRMAN KEESE: And we have one more
21 meeting coming up on the 26th of the month. And
22 in the absence of Mr. Boyd, who is the Chairman of
23 the Committee that dealt with this issue, I would
24 be comfortable in having this item put over till
25 the 26th, if the Commission Members are.

1 COMMISSIONER ROSENFELD: You're pretty
2 comfortable that we'll be able to move fast enough
3 not to --

4 CHAIRMAN KEESE: Mr. Ashuckian, if it's
5 adopted on the 26th, or not adopted -- I mean if
6 it's not adopted there's no --

7 MR. ASHUCKIAN: Actually, again, two of
8 these items are amendments. So, the program will
9 go on with Ford and Honda regardless of if the
10 action is approved or not.

11 What the big issue will be is whether
12 Daimler Chrysler and GM have the opportunity to
13 participate, as well as the fact that we would
14 lose 1.5 additional million that would go into all
15 four of these contracts. That would be lost.

16 COMMISSIONER PERNELL: If we do it on
17 the 26th that would be lost?

18 MR. ASHUCKIAN: No, no, if we don't hold
19 it on the 26th.

20 COMMISSIONER PERNELL: Well, it's --

21 COMMISSIONER ROSENFELD: If we do it on
22 the 26th there's time?

23 MR. ASHUCKIAN: There's time. Although
24 I'd want to basically say that the contracts were
25 designed to provide us flexibility, so I guess you

1 would have to go back in order to make a change
2 between now and the 26th, reevaluate how these
3 contracts were written up to satisfy some of these
4 concerns, in the contract, itself.

5 Because right now we can't make these
6 kinds of changes that are being requested without
7 modification to our contracts with these
8 manufacturers.

9 COMMISSIONER PERNELL: Can you do that
10 if we approve it today, can you still go back and
11 do the --

12 MR. ASHUCKIAN: Yeah, these contracts --

13 COMMISSIONER PERNELL: -- same thing?
14 In other words, putting it off wouldn't --

15 MR. ASHUCKIAN: These contracts give us
16 the authority to provide the incentive money to
17 the manufacturers if we choose to do that. It
18 doesn't not essentially require that we have to
19 give them that money.

20 Although we have allocated the different
21 fund levels to the different manufacturers based
22 on what we think they will be producing over the
23 next three years.

24 So, in that sense we are putting in
25 stone the maximum amount of money that an

1 individual manufacturer could get for their
2 product. We have essentially, you know,
3 established that by the size of the contracts.

4 That's why, in fact, we're only putting
5 in 250,000 of our money into Daimler Chrysler and
6 GM, while at the same time giving Honda and Ford 2
7 million of our money. The rest coming from the
8 air districts.

9 So, the program, as it stands, has the
10 ability to make these modifications without change
11 to our contracts, that's why we designed them that
12 way. Knowing there's changes in model product
13 availability each year that we would have to
14 adjust for.

15 CHAIRMAN KEESE: Mr. Turner, very
16 briefly.

17 MR TURNER: Very brief. Just a concern.
18 Mr. Ashuckian can back this up. Dealing with the
19 auto manufacturers and getting these contracts
20 changed has taken many many months. So getting a
21 change in two weeks, I'm just concerned, I'm
22 concerned about losing the million and a half --

23 CHAIRMAN KEESE: I heard Mr. Ashuckian
24 say the changes could be made without -- but,
25 obviously, there's three public interest groups

1 who either are not aware or not convinced of that.

2 So, are you comfortable with --

3 COMMISSIONER PERNELL: Well, I --

4 (Pause.)

5 COMMISSIONER ROSENFELD: David, while
6 they're talking I guess I do have a question for
7 you. As was said a couple of times, Toyota is not
8 in the game right now.

9 If the upper limit per car were to be
10 raised from 1000, which is under your present
11 plans for hybrid, to something more. That is if
12 John White and Roland Wong and so on cause you to
13 pay some attention, is it even possible that
14 Toyota would suddenly decide it was worth the
15 candle?

16 MR. ASHUCKIAN: Toyota indicated to us
17 that they declined to enter into our contract
18 because of the language that is in our contract
19 from the federal government. That they would have
20 to adopt federal guidelines in how they handled
21 personnel issues.

22 So it didn't seem to be -- they
23 indicated to us that it was not the issue of the
24 incentive program, but they just were not willing
25 to accept the terms of our contract. They would

1 have preferred that we administer the program,
2 ourselves, for Toyota vehicles. But, in fact, the
3 way our budget and our administration process is,
4 we cannot do that within the timeframe that we
5 have.

6 So, in fact, that, you know, basically
7 eliminated Toyota from the program.

8 COMMISSIONER ROSENFELD: John, I seemed
9 to usurp the Chair, but they're busy. What's up?

10 MR. WHITE: One thought I have about
11 Toyota, sitting here listening to this, is that we
12 maybe don't need them to give incentives for the
13 Prius, but the vehicle they haven't yet publicly
14 announced that they're going to produce is the
15 Highlander, an SUV.

16 COMMISSIONER ROSENFELD: Um-hum, which,
17 as you say, really saves gasoline.

18 MR. WHITE: Yeah. So, I wouldn't mind
19 the suggestion that Toyota be specifically asked
20 what about incentives for the vehicles, the next
21 round, you know. Because if this is a three-year
22 program, we're deciding who to sign contracts
23 with, and I realize Toyota has an issue.

24 That's part of what I'm asking you to
25 look at, is look at who's doing what, and who's

1 got what product mix. And what product mix do you
2 want to have the most impact on. And I think
3 that's part of what we'd like to see be done here.
4 Is to take sort of a gut check and see who's doing
5 what; are we getting the same things or can we get
6 some new things. And to me that's where the --

7 CHAIRMAN KEESE: What do you think we
8 could do between now and two weeks from now?

9 COMMISSIONER ROSENFELD: Could we do all
10 that in two weeks?

11 MR. WHITE: Well, I don't --

12 CHAIRMAN KEESE: You're saying you don't
13 have the -- you're not satisfied with us --

14 MR. WHITE: I see no reason to get --

15 CHAIRMAN KEESE: You're not satisfied
16 with us approving the program and asking the staff
17 to gather the stakeholders and look at what
18 flexibility they have, and meet with you guys and
19 see where they can go?

20 MR. WHITE: That's all fine.

21 COMMISSIONER PERNELL: Including
22 reallocation.

23 MR. WHITE: The problem I have is I
24 don't see the virtue, today, of signing up with GM
25 and Daimler for anything that I've heard about,

1 okay. Because I don't think they have anything
2 necessarily.

3 Now, the air districts are going to come
4 back and tell us the Natural Gas Vehicle Coalition
5 has a very able lobbyist, who's a friend of mine,
6 and a colleague. And I'm sure we'll have it back
7 and forth. And if that's all too much a pain in
8 the ass, I don't really have a lot of time,
9 myself, to micromanage what you guys are doing.

10 I just want you to have some thinking
11 done in your policy about what this program is
12 supposed to be accomplishing, and who's getting
13 the money, and for what.

14 And I'm not persuaded that the natural
15 gas van option from those --

16 COMMISSIONER LAURIE: If GM and Daimler
17 Chrysler do not meet the criteria for the focus of
18 the program, can moneys be reallocated through an
19 amendment to the other contracts?

20 MR. ASHUCKIAN: That would have to be
21 done between now and June 30th of this year.

22 COMMISSIONER ROSENFELD: It sounds
23 like --

24 COMMISSIONER PERNELL: But the question
25 was can it be done.

1 MR. ASHUCKIAN: No. Well, I suppose if
2 you guys want to -- the Commission wants to
3 eliminate the contracts with GM and Daimler
4 Chrysler and allocate those remaining funds, which
5 is \$250,000 each, from those ones into Ford and
6 Honda, we could do that between now and June 30th.
7 And eliminate GM and Chrysler from ever
8 participating in the program, no matter what they
9 have in the future.

10 I don't believe Toyota will ever
11 participate based on their inability to approve
12 the PVEA -- the terms of our contracts because
13 they are PVEA funds. So they're not going to be
14 interested in, even if we increase the incentive
15 amount, accepting our program. It wasn't worth it
16 to them to expose themselves to their liability
17 based on an issue that has nothing to do with the
18 incentive levels.

19 COMMISSIONER ROSENFELD: But, Dave, I
20 think I have one last question. Right now, if I
21 look at the contract, at the bottom of a), which
22 is Honda, it says the total contract will be up to
23 3 million. And then there's another 3 million,
24 and then there's some half-millions.

25 If you had two more weeks to change that

1 around, you don't really need those absolute
2 limits on the contract, right? You could still
3 leave the in the words General Motors and Daimler
4 Chrysler, but if they didn't get funded then all
5 of the money could go to the other two
6 manufacturers?

7 MR. ASHUCKIAN: Our budget votes will
8 not allow us to enter into a contract without some
9 specific minimum Commission commitment. And so we
10 had really intended to leave all these contracts
11 open-ended, but we were not allowed to do that
12 based on the fact that we can't enter into a
13 contract with no specific minimum commitment.

14 COMMISSIONER ROSENFELD: But does it
15 have to be \$500,000?

16 MR. ASHUCKIAN: It doesn't have to be.

17 COMMISSIONER ROSENFELD: Maybe the
18 consensus here is to make it \$100,000.

19 MR. ASHUCKIAN: We could do that.

20 COMMISSIONER ROSENFELD: But that's
21 something you could do in the next two weeks?

22 MR. ASHUCKIAN: Sure.

23 COMMISSIONER ROSENFELD: Okay. Seems to
24 me two weeks makes sense.

25 COMMISSIONER PERNELL: Just a

1 clarification on that. You could do that whether
2 we vote this out or not.

3 MR. ASHUCKIAN: Right. We actually --
4 this is only giving us the authority to provide up
5 to, you know, half a million dollars worth of
6 incentives, half of that coming from the air
7 districts.

8 It is based on the vehicles that we
9 decide are worthy of incentives, not what that
10 incentive level should be. So, in fact, you know,
11 we are not committed to give them anything. We
12 are just committed to give them --

13 CHAIRMAN KEESE: So this is step one.
14 And step two would be to go to the Committee and
15 suggest which vehicles should receive awards and
16 have the Committee move forward?

17 MR. ASHUCKIAN: Yeah, but again, we
18 also -- these contracts are for two years, and so
19 we are anticipating that additional models might
20 become available within that timeframe that would
21 be worthy of incentives.

22 So, you know, we didn't design this
23 contract just for the one models, the models they
24 have this year. It's for expected models that are
25 coming out in the future.

1 CHAIRMAN KEESE: So, I guess a
2 possibility would be that you'd hold General
3 Motors' money until they have a vehicle we liked?

4 MR. ASHUCKIAN: Absolutely. We actually
5 anticipate this year very little of this money
6 will actually go towards the vehicles that GM has
7 offered this year.

8 COMMISSIONER PERNELL: I don't know if
9 I'm comfortable with that, because we could be
10 incentivizing another company for market
11 transformation. Holding it waiting on GM, unless
12 we do some type of research to say what do you
13 have coming down the pike in the future. And if
14 it's something that's close enough.

15 But, you know, it does no one any good
16 if we hold the revenue and never get it on the
17 street.

18 MR. ASHUCKIAN: You're absolutely right,
19 although it is about almost a \$7 million program
20 with air district support, and in fact, we're only
21 holding 250,000 for GM. So, in effect, you're
22 absolutely correct. However, we have minimized
23 what we're holding for them based on what we think
24 they're going to be producing. So in that sense
25 we're only talking \$250,000.

1 COMMISSIONER LAURIE: Well, question
2 again, Mr. Chairman. If you, under the contract,
3 increase the potential up to allocation to Honda
4 and Ford, and then recognizing that the total
5 funding allocation for this round, or this year
6 is, --

7 COMMISSIONER ROSENFELD: For the
8 contract is 6 million.

9 COMMISSIONER LAURIE: Well, okay. But
10 then it would seem that if you take the total
11 amount of funds available and you have four
12 segments of it to four individual entities, and
13 you choose not to fund or minimize funding to A
14 and B, that leaves more funding without any
15 further action to C and to D.

16 And so --

17 CHAIRMAN KEESE: Let's just settle on
18 that. So if we put, what I hear is if we put 3.5
19 million under American Honda and 3.5 million under
20 Ford, and left 500,000 under General Motors and
21 500 -- that would still comply with the
22 contracting rules and you could spend -- you still
23 couldn't spend more than your 7 million, but you
24 could spend all your 7 million on Honda and Ford?

25 MR. ASHUCKIAN: I'd have to check with

1 our contract office to make sure that they would
2 allow that to happen. I believe we still have to
3 have a minimum Energy Commission part in each
4 contract. And it's possible you could minimize
5 that. Each contract has more authority than we
6 have money because we anticipate air district
7 funds to make the difference up.

8 So we could increase the total
9 availability without increasing our individual
10 commitment.

11 COMMISSIONER PERNELL: Mr. Chairman, I
12 would move that we put this over, give staff
13 additional time to answer any additional questions
14 that the Commissioners' Office might have. And
15 insure, even if we have to have a special board
16 meeting, that we do not run out of time on this.

17 But it's just, in my opinion, it's just
18 too many unanswered questions at this point.

19 CHAIRMAN KEESE: We have a motion. Do
20 we have a second?

21 COMMISSIONER ROSENFELD: Second.

22 CHAIRMAN KEESE: Second by Commissioner
23 Rosenfeld. Further discussion?

24 All in favor?

25 (Ayes.)

1 CHAIRMAN KEESE: Opposed? Four to
2 nothing we put this over till our hearing on the
3 26th, or such other date as --

4 COMMISSIONER PERNELL: If we get it done
5 in time we will certainly move on it so you don't
6 lose the funds.

7 Thank you.

8 CHAIRMAN KEESE: Thank you. I'd like a
9 motion on the minutes of May 29th, January 12th,
10 January 26th, March 1st, May 3rd, and July 12th of
11 the year 2000.

12 COMMISSIONER LAURIE: Move.

13 COMMISSIONER PERNELL: Second.

14 COMMISSIONER ROSENFELD: Second. Two
15 seconds.

16 CHAIRMAN KEESE: All in favor?

17 (Ayes.)

18 CHAIRMAN KEESE: The minutes were May
19 29, 2002, but all the rest of the dates were in
20 the year 2000.

21 COMMISSIONER LAURIE: We should probably
22 only have those who were Commissioners in the year
23 2000 vote on the motion, --

24 CHAIRMAN KEESE: But we may not --

25 COMMISSIONER LAURIE: -- Mr. Chairman.

1 That's fine.

2 CHAIRMAN KEESE: All right.

3 COMMISSIONER PERNELL: Mr. Chairman,
4 before we do that, on the minutes I just want to
5 make a comment, because I've been complaining
6 about this. I do see the dates down, and so I
7 want to commend Betty for listening. So, thank
8 you for that, and I'm sure we're about to catch
9 up.

10 CHAIRMAN KEESE: Almost caught up.

11 COMMISSIONER PERNELL: Almost caught up.

12 Thank you.

13 CHAIRMAN KEESE: Okay. Mr. Larson, I
14 know we have -- we're going to have a ledger
15 report here.

16 COMMISSIONER PERNELL: Yeah, that's
17 Committee Oversight, Mr. Chairman. That one's me.

18 CHAIRMAN KEESE: Are we going to have an
19 executive session?

20 MR. BLEES: We would like to, please, on
21 two items.

22 CHAIRMAN KEESE: Counsel has requested
23 on--

24 MR. BLEES: On litigation, --

25 CHAIRMAN KEESE: -- legal matters --

1 MR. BLEES: Potential litigation.

2 CHAIRMAN KEESE: I know that we had an
3 11:30 meeting across the hall. Are we just
4 rolling here?

5 MR. LARSON: Yeah.

6 CHAIRMAN KEESE: All right. Under
7 Commission Committee and Oversight, Ledger
8 Committee.

9 COMMISSIONER PERNELL: Mr. Chairman, the
10 Ledger Committee will present and introduce the
11 others., OGA, Tim. Tim has a number of bills; he
12 would like to just share the progress with us.

13 MR. SCHMELZER: Good afternoon --

14 CHAIRMAN KEESE: Ms. Mendonca.

15 MR. SCHMELZER: I wanted to provide a
16 brief update for you all, and announce the more
17 significant pieces of legislation we've been
18 active on. Just let you know status and
19 negotiations, where the bills are, and so forth.

20 I'll begin with the legislation that the
21 Energy Commission is sponsoring. First, Senate
22 Bill 530 authored by Senator Sher, this is the
23 legislation that would provide the legislative
24 authority for the Commission to implement its
25 investment plans for the renewable energy program

1 and the Public Interest Energy Research program.

2 We had the last few weeks been involved
3 negotiating with concerns raised by Southern
4 California Edison. We have now submitted
5 amendments to the author. We believe those will
6 be in print if not today, I didn't have a chance
7 to check, very soon. And we expect that bill will
8 be heard in the Utilities and Commerce Committee
9 on the Assembly side on the 24th of this month.
10 And are confident for its passage.

11 A related -- the other sponsored bill,
12 Senate Bill 1389, sponsored by Senator Bowen.
13 This is the bill to consolidate our reporting
14 responsibilities and put our data collection
15 responsibilities into statute.

16 This bill will be heard in the Assembly
17 Utilities and Commerce Committee next week. We've
18 had some successful negotiations with a couple
19 stakeholders, Independent Energy Producers and
20 Western States -- Association, to move opposition.
21 The SEMPRA has recently announced their
22 opposition; they're concerned with the process
23 that we've recommended whereby a member of the
24 public could request access to information
25 previously deemed confidential.

1 This is something we've proposed that's
2 essentially equivalent to the process we have in
3 the PIRA side of our data collection. At this
4 point in time I don't express a lot of confidence
5 that we're going to agree on anything. But I just
6 wanted you to be aware of that one piece of
7 opposition. Otherwise, we've enjoyed a lot of
8 support for this measure, and are confident for
9 its passage, as well.

10 A couple other pieces of legislation.
11 SB-532 by Senator Sher, although the bill in print
12 doesn't have much to do with what's going on right
13 now, this is a bill to add some form of a
14 renewable portfolio standard.

15 And there's a stakeholder draft right
16 now and the Energy Commission's been a party to
17 discussions involved in crafting this, to require
18 utility procurement of renewable resources
19 consistent with a benchmark price established by
20 the Public Utilities Commission and the Energy
21 Commission's new account program would be kind of
22 reconfigured in order to provide the difference
23 between the contract prices and a benchmark price
24 set by the PUC.

25 There's been a pretty fair amount of

1 progress on that measure. And, you know, we
2 continue to insert our opinion into that. And so
3 far the requests we've made for modification on
4 that draft that's been circulating have been
5 accepted. So, that's a process that continues to
6 evolve. And hopefully we'll be able to see that
7 forth to a successful conclusion.

8 Also wanted to mention Senate Bill 1269
9 by Senator Pease. This is a measure we dealt with
10 last year, the Commission had discussions, both
11 Siting and Legislative Committee. This would
12 require the beginning of construction on a power
13 plant within 12 months unless an extension is
14 granted, pursuant to good cause, or unless the
15 Commission's costs for siting that project are
16 reimbursed.

17 And if a project is not able to go
18 forward, it would give the Power Authority the
19 opportunity to take over that project and see it
20 to construction.

21 That bill just passed the Senate earlier
22 this week, and will be set in the Assembly
23 Utilities and Commerce Committee here in the next
24 couple of weeks, I expect.

25 I wanted to mention, let's see, Assembly

1 Bill 57 by Assemblymember Wright dealing with
2 procurement for long-term contracts by IOUs at the
3 Public Utilities Commission.

4 We continue to work to insure that the
5 Energy Commission's assessments are appropriately
6 integrated into that process so that we insure
7 that we have a consistent state policy for full
8 dialogue between these two agencies.

9 And just wanted to report on a couple
10 little successes we had yesterday, incented
11 energy, there's a couple bills, Assembly Bill 1561
12 dealing with setting a water factor standard in
13 residential clothes washers.

14 The Committee had concurred with the
15 suggested amendments recommended by the
16 Commission. Those were accepted by the author,
17 and the bill was passed out of Committee
18 yesterday. So that the Commission wouldn't be
19 constrained to a specific water factor standard,
20 and the timing would be reconfigured so that we
21 would have the opportunity to set that standard
22 prior to seeking a waiver at the federal level.

23 It was a pretty interesting debate in
24 the Committee on that measure yesterday.

25 Another measure, Assembly Bill 2944 by

1 Assemblymember Keho. This is a bill that would
2 enact a solar street light program down in San
3 Diego. The bill had required that the Commission,
4 though, would have no involvement in this program,
5 funding or otherwise, to do a report on its
6 progress. And the Senate Energy Committee,
7 recognizing that this was kind of a disconnect,
8 accepted amendment to, I believe, to not have that
9 requirement on the Energy Commission. And merely
10 require the people that are actually participating
11 in that program to report on the progress.

12 So, I wanted to let you know about those
13 measures, and I --

14 CHAIRMAN KEESE: Are you --

15 MR. SCHMELZER: -- would be happy to --

16 CHAIRMAN KEESE: Are you asking for
17 action of the Commission on any of these items at
18 this time?

19 MR. SCHMELZER: No. My understanding
20 was I was to report on the progress of --

21 CHAIRMAN KEESE: Thank you. Then are
22 there any questions of Mr. Schmelzer?

23 COMMISSIONER LAURIE: Yes, I'll defer to
24 Commissioner Pernell.

25 COMMISSIONER PERNELL: Well, just that

1 this was a matter of information that Tim was
2 bringing to the Commission. So, thank you.

3 COMMISSIONER LAURIE: I have perhaps a
4 point of inquiry, Mr. Chairman. We have an
5 understanding as to how the Commission takes
6 positions on legislation through adopted protocol.

7 And I see us taking positions and
8 communicating those positions to the Resources
9 Agency, which then takes it to the Administration,
10 which we are then to coordinate with regarding
11 those positions.

12 But I think what's happening is when we
13 are sending those communications over to
14 Resources, those positions are not being taken
15 with the concurrence of the full Commission.

16 There's been a number of items that have
17 passed by my desk that I firmly disagree with,
18 that appear to represent the position of the
19 Commission.

20 And so I don't know how that is
21 occurring, and in what process is being utilized.
22 The Leg Committee, with all due respect, doesn't
23 have authority to take positions for the full
24 Commission on the individual items of legislation.

25 So, I don't know how that's happened.

1 CHAIRMAN KEESE: Okay. Mr. Schmelzer
2 and Mr. Larson, help us out. Bills run through
3 Policy Committee --

4 COMMISSIONER PERNELL: Let me just --
5 Mr. Chairman, can I --

6 CHAIRMAN KEESE: Okay. Sure.

7 COMMISSIONER PERNELL: Let me just take
8 a real quick stab at this. And it works well in
9 the beginning of the session, but once we get to
10 the end of the session, these bills move very
11 fast. There is amendments and et cetera, so the
12 scenario that was laid out, the Commission can
13 take a position when the bill first hits print.
14 And by the end of that we might not want to have
15 that position. And unless there's a mechanism in
16 which we can turn this around quickly, we might
17 find ourselves supporting something that we
18 actually oppose, because of amendments down the
19 road, or the fact that the bill has been hijacked,
20 or gutted and something else go in it.

21 But I do understand Commissioner
22 Laurie's point, and I don't know how we fix that.
23 But it is -- the Commission meets every two weeks.
24 So in order to have these positions, you know,
25 approved by the full Commission, once it gets down

1 to the end of the session, I think we'll be left
2 in the dust on that, the way the bills move.

3 COMMISSIONER LAURIE: Yeah, I
4 understand, Commissioner Pernell, and my
5 suggestion, in fact, my request, is that there be
6 agendized for your next meeting an item entitled
7 modification to the protocols for adoption of
8 legislative positions.

9 Because we currently have that process.
10 We spent weeks, months trying to figure out the
11 best way to work under the fast pace that the
12 Legislature works under towards the end of a
13 session.

14 COMMISSIONER PERNELL: Yeah, you got to
15 say towards the end, because --

16 COMMISSIONER LAURIE: Yeah, I --

17 COMMISSIONER PERNELL: -- I don't know
18 that they work at a fast pace all the time.

19 COMMISSIONER LAURIE: And it was
20 understood that there is insufficient time to go
21 back to the Commission every time. But it was
22 made clear that it's the Policy Committee that has
23 a major role to play, and the Legislative
24 Committee is there more for administration
25 purposes and coordination purposes.

1 Now, if the Commission chooses to change
2 that, well, that's fine. And it may very well be
3 that that's the correct thing to do. But it's
4 inconsistent with currently adopted protocols
5 under which both the Executive Office and the Leg
6 Office are supposed to be operating.

7 And so either -- my suggestion would be
8 then to go back and revisit the protocols. And
9 so, you don't get anybody like me coming up
10 anymore saying you guys are doing it wrong.
11 Because we do have a process in place that's
12 inconsistent with current procedure. Not that
13 current procedures are wrong, but everybody should
14 understand the way that the game is to be played.

15 CHAIRMAN KEESE: Thank you. Is that
16 acceptable, Mr. --

17 COMMISSIONER PERNELL: Yes, Mr.
18 Chairman, we can agendize for the next Legislative
19 Committee meeting a review of the protocols.

20 COMMISSIONER LAURIE: And you folks have
21 a copy of that, so I'd ask you to present that to
22 the Leg Committee.

23 MR. SCHMELZER: Yeah, I would be happy
24 to.

25 COMMISSIONER LAURIE: That's all I had,

1 Mr. Chairman.

2 CHAIRMAN KEESE: Okay. All right, --

3 MR. SCHMELZER: That was all I had.

4 CHAIRMAN KEESE: Thank you.

5 COMMISSIONER PERNELL: Thank you, Tim.

6 CHAIRMAN KEESE: Do we have any other
7 discussion under Commission Committee and
8 Oversight?

9 Chief Counsel's report.

10 MR. BLEES: Nothing other than the
11 request for the closed session.

12 CHAIRMAN KEESE: Executive Director's
13 report.

14 MR. LARSON: Nothing at this time except
15 for what we have to do next.

16 CHAIRMAN KEESE: Public Adviser's
17 report.

18 MS. MENDONCA: Nothing at this time.

19 CHAIRMAN KEESE: Okay. At this time we
20 have two members of the public who would like to
21 speak on the subject of public comment on
22 automatic meter reading, I believe. Who wishes to
23 start here? Ms. Casspi.

24 MS. CASSPI: Good morning, my name is
25 Marsha Casspi, and I'm from ConectiSys

1 Corporation. And I'm not coming to sell you
2 anything. I'm coming to ask for the direct way to
3 qualify and find a path for moneys and contracts.

4 I've been working with PIER, Laurie ten
5 Hope, and a lot of other members.

6 We are -- ConectiSys Corporation has the
7 solution for wireless AMR meter reading, real time
8 meter reading. And for the past seven years we've
9 been doing research and development, and I've
10 found it very hard to find the path to a
11 solicitation.

12 I think it's been -- we applied for a
13 small grant almost three years ago. And then
14 after six months we found out that we were too
15 commercialized.

16 And then I've been dealing very closely
17 with Laurie in the AMR sector. And I think it was
18 this coming fall the PIER was supposed to have a
19 solicitation out for AMR real time meter reading,
20 and she said that that has been pushed way out
21 into the very far future.

22 And I mean being as the market and
23 deregulation, I mean one of the main cries it is
24 still calling for, AMR.

25 So my question and my appeal to you,

1 Commissioner Rosenfeld, and Chairman, is what do
2 you do to bring about a solicitation that they
3 said is pushed way out? We're a publicly traded
4 company and we have survived for seven years, and
5 we have watched many many others like SelNet,
6 MetraCom, AT&T drop huge projects like we're doing
7 two-way wireless meter reading. And I mean we're
8 still here, seven years and we're still here.

9 UCI, University of California at Irvine,
10 has given us an incredible platform. They want to
11 use our technology. And it's the only one they
12 have right now for demand, load shedding, real
13 time meter reading, in collaboration with Southern
14 California Edison.

15 But UCI would like, they have welcomed
16 us with open arms, but they want \$30,000 for us to
17 be a membership.

18 So we just need the path, how to
19 qualify, how to stir up this solicitation. And
20 I'll let Robert just mention --

21 COMMISSIONER ROSENFELD: Wait, I have a
22 question.

23 CHAIRMAN KEESE: Commissioner Rosenfeld.

24 COMMISSIONER ROSENFELD: You mentioned
25 other manufacturers.

1 MS. CASSPI: Um-hum.

2 COMMISSIONER ROSENFELD: Have they
3 gotten money from PIER?

4 MS. CASSPI: Has UCI?

5 COMMISSIONER ROSENFELD: No, you
6 mentioned, I don't know, --

7 MS. CASSPI: Oh. No, they're just big
8 corporations --

9 COMMISSIONER ROSENFELD: I guess I'm
10 just trying to understand, is PIER somehow or
11 other discriminating against you in favor of other
12 firms?

13 MS. CASSPI: No.

14 MR. SPIGNO: Our point is that the
15 opportunity appears to --

16 COMMISSIONER PERNELL: We need your name
17 for the record, please.

18 MR. SPIGNO: -- that there's funds
19 available --

20 CHAIRMAN KEESE: Mr. Spigno, would you
21 just give your name for the record.

22 MR. SPIGNO: Oh, excuse me. My name is
23 Robert Spigno; I represent ConectiSys Corporation.

24 And it does appear that money has been
25 set aside for real time meter reading, for that

1 type of technology. We have, as a public --

2 COMMISSIONER ROSENFELD: When you say
3 money has been set aside, there's no solicitation
4 out.

5 MR. SPIGNO: There's no solicitation,
6 but we do appear to have somewhere around \$35
7 million that's set aside for this purpose.

8 COMMISSIONER ROSENFELD: No, that's not
9 true.

10 MR. SPIGNO: Okay.

11 COMMISSIONER ROSENFELD: I mean the
12 whole PIER budget is \$60 million. And it gets
13 divided between six teams who have roughly \$10
14 million a year each, at most, to provide
15 solicitations.

16 And I'm just puzzled as to what your --

17 COMMISSIONER PERNELL: It may be for the
18 installation of meters, is that what you're
19 talking about?

20 MR. SPIGNO: We're really talking
21 about --

22 CHAIRMAN KEESE: We had --

23 MR. SPIGNO: -- a solution, --

24 CHAIRMAN KEESE: But that number --

25 MR. SPIGNO: -- a technology, --

1 CHAIRMAN KEESE: Commissioner Pernell is
2 correct. That number, 35 million, reflects what
3 the Legislature gave us to install real time
4 meters in everybody over 200 kW.

5 MR. SPIGNO: Isn't that -- you're asking
6 for, at least --

7 CHAIRMAN KEESE: Let me tell you what I
8 believe here. I'll throw it out. We do get rigid
9 at a certain point. And we have programs, and you
10 bid to them.

11 MR. SPIGNO: Yes.

12 CHAIRMAN KEESE: We also have ideas that
13 float. And I think the best thing, if
14 Commissioner Rosenfeld has the time, I think the
15 best thing for you to do would be to meet with
16 Commissioner Rosenfeld, perhaps his Advisor, and
17 just discuss this issue informally.

18 MR. SPIGNO: Okay.

19 CHAIRMAN KEESE: And in that way, yes, I
20 believe all five Members of the Commission wish
21 that what you have was universal in California
22 today.

23 MR. SPIGNO: Yes, sir.

24 CHAIRMAN KEESE: So, it's not as if you
25 are talking to an unfriendly audience here. But,

1 he and Commissioner Laurie are the R&D Committee.
2 And you talk to them, you're talking to the people
3 who come up with the ideas.

4 You have an idea. I don't think, again,
5 as I talked before, about Committee work up here.
6 We really don't -- there's a couple of us who
7 really don't want to get involved in this
8 Committee work. But you talk to them and find out
9 from them where you can fit in this process.

10 MR. SPIGNO: Okay.

11 CHAIRMAN KEESE: Because this is
12 something, I think, that we -- is this acceptable?

13 COMMISSIONER ROSENFELD: Yeah.

14 CHAIRMAN KEESE: He only works from 7:00
15 in the morning till 11:00 at night, so if --

16 (Laughter.)

17 CHAIRMAN KEESE: -- that schedule fits
18 for you, you can usually find time to meet with
19 him.

20 MR. SPIGNO: Absolutely. Is there any
21 way that we can -- do now --

22 CHAIRMAN KEESE: We're going to be
23 breaking here in just a minute and you can chit-
24 chat informally with him.

25 MR. SPIGNO: Beautiful.

1 MS. CASSPI: And, too, I want to say one
2 thing. I love PIER, they've helped me and
3 educated me through this whole thing. They just
4 keep saying the solicitation is coming, so I've
5 just been eager. So I thought I'll go, I'll fly
6 in today and ask them, you know, how do we get --

7 CHAIRMAN KEESE: Okay. Well, we're
8 going to see what we can do for you.

9 COMMISSIONER PERNELL: Well, thank you
10 for being here. And also being patient, waiting
11 till the end of the meeting.

12 CHAIRMAN KEESE: Although that's where
13 you fit on our schedule unfortunately.

14 MR. SPIGNO: That's correct.

15 CHAIRMAN KEESE: Anybody else from the
16 public want to make a comment here?

17 All right, subject to that, how are we
18 going on our 11:30 meeting? Are we going to do
19 that at --

20 MR. LARSON: Let's do the executive
21 session first, and then --

22 CHAIRMAN KEESE: Go into the --

23 MR. LARSON: It will be very brief in
24 the other one.

25 COMMISSIONER LAURIE: What's the 11:30

1 meeting?

2 CHAIRMAN KEESE: It's a budget --

3 MR. LARSON: And it's really just an
4 update on what's happening in terms of the --

5 CHAIRMAN KEESE: You don't -- you get to
6 skip it. You don't have to be there.

7 All right, subject to that we'll meet
8 right here for the executive session because our
9 budget meeting is right across the hall.

10 MR. LARSON: Okay.

11 CHAIRMAN KEESE: So we will meet in
12 about three or four minutes here, because I'm
13 going to give you a little time.

14 COMMISSIONER ROSENFELD: You're going to
15 give me two minutes.

16 CHAIRMAN KEESE: I'm giving you some
17 time, so in three or four minutes when Mr. Blees
18 is -- won't be long. I don't believe either one
19 of these will be very long.

20 (Whereupon, at 12:22 p.m., the business
21 meeting was adjourned to executive
22 session.)

23 --o0o--

24

25

CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter,
do hereby certify that I am a disinterested person
herein; that I recorded the foregoing California
Energy Commission Business Meeting; that it was
thereafter transcribed into typewriting.

I further certify that I am not of
counsel or attorney for any of the parties to said
meeting, nor in any way interested in outcome of
said meeting.

IN WITNESS WHEREOF, I have hereunto set
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